

OFFERING MEMORANDUM

BOOK-ENTRY-ONLY

Commercial Paper Ratings

Moody's: P-1
Standard & Poor's: A-1+
(See "Ratings" herein)

Maximum Aggregate Principal Amount
\$100,000,000

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)
WATER AND SEWER REVENUE EXTENDABLE COMMERCIAL PAPER NOTES,
2015 PROGRAM**

This Offering Memorandum is subject in all respects to more complete information contained in this Offering Memorandum and should not be considered to be a complete statement of the facts material to making an investment decision. The offering of the notes under the above referenced Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (the "ECP Notes") to potential investors is made only by means of the entire Offering Memorandum.

Issuer: The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government")

Authorized Amount: Maximum amount outstanding at any time does not exceed \$100,000,000

Ratings: P-1 Moody's Investors Service, Inc.
A-1+ Standard & Poor's Ratings Services

Security: Revenues of the Metropolitan Government's water and sewer system (the "System"), as more fully described herein, subject to senior and prior pledges of System revenues in favor of the Metropolitan Government's long-term water and sewer revenue bonds. The pledge of revenues in favor of the ECP Notes is on parity with a pledge of revenues in favor of the Metropolitan Government's Water and Sewer Revenue Commercial Paper Notes, Series A. The ECP Notes do not constitute a general debt or liability of the Metropolitan Government for which there is a right to compel the exercise of the taxing power of the Metropolitan Government. See "Security and Source of Payment" on page 6.

Purpose: Proceeds of the ECP Notes are used only to: (i) finance capital improvements to the System and (ii) refund or renew ECP previously issued under the ECP Program.

Original Maturity Date: A business day, from 1 to 90 days from the original date of issue

Extended Maturity Date: The Metropolitan Government has the option to extend the Original Maturity Date of an ECP Note to a business day that is 270 days from the original date of issue. The Metropolitan Government intends to exercise this option to extend the maturity only in circumstances where there is a disruption in market liquidity. An ECP Note may not be extended to a date after the final maturity date of the ECP Program, which is December 31, 2020.

Denominations: \$100,000 minimum principal amount and integral multiples of \$1,000 in excess thereof

Interest Payments: Interest on each ECP Note is payable on the Original Maturity Date; however, if the Original Maturity Date is extended, then interest is not payable on the Original Maturity Date. When the Original Maturity Date is extended, interest is payable monthly as set forth herein and on any redemption date or the Extended Maturity Date and no additional interest shall accrue on the accrued but unpaid interest.

Redemption: ECP Notes are not redeemable prior to the Original Maturity Date.
If the Original Maturity Date is extended—ECP Notes are subject to redemption in whole but not in part, on any date after the Original Maturity Date, at the option of the Metropolitan Government, prior to the Extended Maturity Date; provided, however, the Metropolitan Government must redeem all ECP Notes that have Extended Maturity Dates.

Tax Exemption: In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the ECP Notes will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For a more detailed explanation of certain tax consequences under federal law which may result from the ownership of the ECP Notes, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the ECP Notes and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "TAX MATTERS" herein).

Issuing and Paying Agent: U.S. Bank National Association

Dealer: Morgan Stanley & Co. LLC

Bond Counsel: Bass, Berry & Sims PLC

Issuer Contact: Mr. Tom Eddlemon, Treasurer for the Metropolitan Government, 2nd Avenue South, Suite 205, Nashville, TN 37210, (615) 880-2818

Dated: April 14, 2015

This Offering Memorandum contains information concerning the Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (hereinafter referred to as the "ECP Program") of The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") to provide interim financing of capital improvements to the water and sewer system, as further described herein.

Under the ECP Program, certain notes of the Metropolitan Government may be issued and sold in the United States commercial paper market (the "ECP" or "ECP Notes"). The ECP Notes constitute bond anticipation notes and are payable primarily from the proceeds of subsequently issued ECP Notes and water and sewer revenue bonds of the Metropolitan Government. Additionally, the ECP Notes shall constitute and be limited obligations of the Metropolitan Government payable from and secured solely by a pledge of the Revenues of the System, subject to the prior pledge of such Revenues in favor of the Prior Lien Bonds, as such terms are defined and more fully explained herein. The pledge of Revenues in favor of the ECP Notes is on parity with a pledge of Revenues in favor of the Metropolitan Government's Water and Sewer Revenue Commercial Paper Notes, Series A. The ECP Notes do not constitute a general debt or liability of the Metropolitan Government for which there is a right to compel the exercise of the taxing power of the Metropolitan Government.

The ECP Notes will be sold at par as interest-bearing obligations in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess of such amount, with interest payable at maturity, unless the Metropolitan Government elects to extend the maturity of the ECP Note, in which case interest on the ECP Notes shall be payable monthly through the Extended Maturity Date. The ECP Notes will have Original Maturity Dates, each being a business day, of not less than 1 day and not greater than 90 days from the original issue date of each ECP Note. The Metropolitan Government has the option to extend the Original Maturity Date of an ECP Note to a business day that is 270 days from the original issue date and not later than December 31, 2020, which is the final maturity date of the ECP Program.

The ECP Notes will be issued in book-entry-only form through The Depository Trust Company, New York, New York, ("DTC"). U.S. Bank National Association is Issuing and Paying Agent for the ECP Program.

The ECP Notes are being offered when, as, and if issued, subject to the legal opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel to the Metropolitan Government, substantially in the form attached to this Offering Memorandum as Appendix D. The ECP Notes are expected to be available for purchase and delivery through the facilities of DTC on and after April 15, 2015. Morgan Stanley & Co. LLC ("Dealer") acts as the exclusive dealer in connection with the offering and issuance of the ECP Notes.

MORGAN STANLEY

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Offering Memorandum, in connection with the offering of the ECP Notes, and, if given or made, such information or representation must not be relied upon as having been authorized by the Metropolitan Government, the Dealer or its respective consultants and attorneys. This Offering Memorandum does not constitute an offer or solicitation in any jurisdiction which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Metropolitan Government and other sources which are believed to be reliable, but is it not guaranteed as to accuracy or completeness by, and it not to be construed as a representation by, the Dealer.

This Offering Memorandum is not to be construed as a contract with the purchaser of the ECP Notes. Statements contained in this Offering Memorandum which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such, and are not to be construed as a representation of fact. This Offering Memorandum contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The information and expressions of opinions contained herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Metropolitan Government since the date hereof.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the ECP Notes are qualified in their entirety by reference to the form thereof included in the Resolution (as defined herein), and the provisions with respect thereto included in the aforementioned documents and agreements.

THIS OFFERING MEMORANDUM IS INTENDED TO REFLECT MATERIAL FACTS AND CIRCUMSTANCES AS THEY EXIST ON THE DATE OF THIS OFFERING MEMORANDUM OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFERING MEMORANDUM AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE ECP NOTES SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE ECP NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE METROPOLITAN GOVERNMENT, THE ECP NOTES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE FINANCIAL ADVISOR HAS BEEN EMPLOYED BY THE METROPOLITAN GOVERNMENT TO ADVISE IT WITH RESPECT TO CERTAIN MATTERS RELATING TO THE PROPOSED STRUCTURE OF THE ECP PROGRAM. THE FINANCIAL ADVISOR HAS NOT BEEN EMPLOYED AND ASSUMES NO DUTY OR OBLIGATION TO ADVISE ANY OTHER PARTY AS TO ANY ASPECT OF THE TRANSACTION, INCLUDING THE HOLDERS OF THE ECP NOTES.

THE DEALER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN OFFERING MEMORANDUM: THE DEALER HAS REVIEWED THE INFORMATION IN THIS OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE DEALER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

For additional information regarding the following, please contact:

Metropolitan Government

Mr. Richard M. Riebeling
Director of Finance for the
Metropolitan Government
PO Box 196300
Nashville, TN 37219
Metropolitan Courthouse
1 Public Square
Suite 106
Nashville, TN 37201
(615) 862-6151

Offering Memorandum

Mr. Tom Eddlemon
Treasurer for the
Metropolitan Government
PO Box 196300
Nashville, TN 37219
700 2nd Avenue South
Suite 205
Nashville, TN 37210
(615) 880-2818

TABLE OF CONTENTS

INTRODUCTION.....	1
THE ECP PROGRAM	2
SECURITY AND SOURCE OF PAYMENT	6
FUTURE CAPITAL NEEDS	10
LITIGATION	11
TAX MATTERS.....	11
LEGAL OPINION	12
FINANCIAL INFORMATION.....	12
RATINGS	13
FINANCIAL ADVISOR.....	13
DEALER.....	14
INDEPENDENT AUDITORS	14
FORWARD LOOKING STATEMENTS.....	14
MISCELLANEOUS INFORMATION.....	15

APPENDICES

APPENDIX A: Electronic Link to Comprehensive Annual Financial Report for the Metropolitan Government for the Fiscal Year Ended June 30, 2014	A-1
APPENDIX B: Financial and Operating Information Regarding the Water and Sewer System	B-1
APPENDIX C: Demographic Information Related to the Metropolitan Government	C-1
APPENDIX D: Form of Opinion of Bond Counsel	D-1
APPENDIX E: Summary of ECP Resolution	E-1

METROPOLITAN GOVERNMENT OFFICIALS, STAFF AND CONSULTANTS

Mayor and Metropolitan County Council

Karl F. Dean – Mayor

Diane Neighbors – Vice Mayor and Council President

Megan Barry – Council Member At Large
Ronnie Steine – Council Member At Large
Tim Garrett – Council Member At Large
Charlie Tygard – Council Member At Large
Jerry Maynard – Council Member At Large
Lonnell Matthews Jr. – District Council Member
Frank Harrison – District Council Member
Walter Hunt – District Council Member
Brady Banks – District Council Member
Scott Davis – District Council Member
Peter Westerholm – District Council Member
Anthony Davis – District Council Member
Karen Bennett – District Council Member
Bill Pridemore – District Council Member
Doug Pardue – District Council Member
Larry Hagar – District Council Member
Steve Glover – District Council Member
Josh Stites – District Council Member
Bruce Stanley – District Council Member
Phil Claiborne – District Council Member

Tony Tenpenny – District Council Member
Sandra Moore – District Council Member
Burkley Allen – District Council Member
Erica Gilmore – District Council Member
Buddy Baker – District Council Member
Edith Langster – District Council Member
Sheri Weiner – District Council Member
Emily Evans – District Council Member
Jason Holleman – District Council Member
Sean McGuire – District Council Member
Chris Harmon – District Council Member
Davette Blalock – District Council Member
Duane A. Dominy – District Council Member
Karen Y. Johnson – District Council Member
Jason Potts – District Council Member
Fabian Bedne – District Council Member
Jacobia Dowell – District Council Member
Robert Duvall – District Council Member
Carter Todd – District Council Member
Bo Mitchell – District Council Member

Select Administrative Staff

Richard M. Riebeling – Director of Finance

Saul Solomon – Director of Law

Kim McDoniel – Assistant Director of Finance

Tom Eddlemon – Treasurer

Shannon B. Hall – Metropolitan Clerk

Consultants and Advisors

Metropolitan Government Counsel Metropolitan Department of Law
Nashville, Tennessee

Bond Counsel Bass, Berry & Sims PLC
Nashville, Tennessee

Financial Advisor First Southwest Company
Dallas, Texas

**OFFERING MEMORANDUM
RELATING TO**

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)**

**Maximum Aggregate Principal Amount
\$100,000,000**

**WATER AND SEWER REVENUE
EXTENDABLE COMMERCIAL PAPER NOTES,
2015 PROGRAM**

INTRODUCTION

This Offering Memorandum, including the cover page and the Appendices (including the financial information referred to in the Appendices), is provided to furnish information in connection with the issuance from time to time by the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") of its Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (the "ECP Program"). Under the ECP Program, certain notes of the Metropolitan Government may be issued and sold in the United States commercial paper market (the "ECP" or "ECP Notes").

The ECP Notes are issued as bond anticipation notes pursuant to Chapter 21 of Title 9 of the Tennessee Code Annotated, as amended, the Charter of the Metropolitan Government (the "Charter"), and subject to the terms and conditions contained in the resolution authorizing the ECP Program adopted by the Metropolitan County Council on April 7, 2015 (the "ECP Resolution").

The proceeds of the ECP Notes will be used only to (i) finance capital improvements to the Metropolitan Government's water and sewer system (the "System") and (ii) refund or renew ECP previously issued under the ECP Resolution.

The Metropolitan Government has entered into the following agreements in connection with the ECP Program:

Issuing and Paying Agency Agreement (as it may be supplemented and amended, and together with any successor agreements, the "Issuing and Paying Agency Agreement") between the Metropolitan Government and U.S. Bank National Association (together with any successor, the "Issuing and Paying Agent").

Dealer Agreement (as it may be supplemented and amended, and together with any successor agreements, the "Dealer Agreement") between the Metropolitan Government and Morgan Stanley & Co. LLC, New York, New York (together with any successor, the "Dealer").

Brief descriptions of the ECP Program and the ECP Resolution are included in this Offering Memorandum or in an Appendix hereto. Such descriptions do no purport to be comprehensive or definitive, and all references herein to the ECP Program, the ECP Resolution, and various other documents and instruments mentioned herein, are qualified in their entirety by reference to the responsive documents or instrument, copies of which are available from the Metropolitan Government and the Dealer.

The ECP Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for DTC. Beneficial ownership interests in the ECP Notes will be available in book-entry-only form and will be registered in the name of Cede & Co., as nominee of DTC. Purchases of the ECP Notes will be made in book-entry form through DTC. No physical delivery of the ECP Notes will be made to purchasers of the ECP Notes unless the book-entry-only system of registration is discontinued, or as may otherwise be provided herein. Payments on the ECP Notes will be made to holders by DTC through DTC Participants. See "THE ECP PROGRAM – BOOK-ENTRY-ONLY SYSTEM" herein.

The ECP Notes will be sold at par as interest-bearing obligations in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess of such amount, with interest payable at maturity, unless the Metropolitan Government elects to extend the maturity of the ECP Note, in which case interest on the ECP

Notes shall be payable monthly through the Extended Maturity Date. The ECP Notes will have Original Maturity Dates, each being a business day, of not less than 1 day and not greater than 90 days from the original issue date of each ECP Note. The Metropolitan Government has the option to extend the Original Maturity Date of an ECP Note to a business day that is 270 days from the original issue date and not later than December 31, 2020, which is the final maturity date of the ECP Program. As long as the ECP Notes are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in next day funds on each interest payment date. See "THE ECP PROGRAM – BOOK-ENTRY-ONLY SYSTEM" herein.

All financial and other information presented in this Offering Memorandum has been compiled from records of the Metropolitan Government, except for information expressly attributed to other sources. All quotations from, and summaries and explanations of, provisions of statutes contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the ECP Program and proceedings of the Metropolitan Government relating thereto are qualified in their entirety by reference to the form of the ECP Notes and such proceedings. Recent historical information does not indicate future or continuing trends in the Metropolitan Government's financial position or other affairs, unless specifically stated.

An electronic link to the Metropolitan Government's comprehensive annual financial report for the fiscal year ended June 30, 2014 is incorporated herein in Appendix A.

Certain financial and operating information related to the System is set forth in Appendix B. Certain demographic information of the Metropolitan Government is set forth in Appendix C. The form of opinion of Bond Counsel is attached hereto as Appendix D, and a summary of the ECP Resolution is attached as Appendix E. All terms capitalized herein but not defined herein shall have those meanings set forth in Appendix E attached hereto.

Investors should consider the entire Offering Memorandum in making an investment decision, and should not consider information more or less important because of its location. Investors should refer to laws, reports or other documents described in this Offering Memorandum for more complete information.

THE ECP PROGRAM

Authorization and Purpose of the ECP Program

The ECP Notes will be issued as bond anticipation notes by the Metropolitan Government pursuant to its Charter, the laws of the State of Tennessee (the "State"), particularly Tennessee Code Annotated Sections 9-21-101 et. seq. (the "Act") and the ECP Resolution. Proceeds of the ECP Notes will be used only to (i) finance capital improvements to the System and (ii) refund or renew ECP previously issued under the ECP Resolution.

Description of the ECP Notes

The ECP Notes will be dated the date of their respective authentication and issuance and are to be issued in book-entry-only form, in denominations of \$100,000 and in integral multiples of \$1,000 in excess of \$100,000. The ECP Notes are each to bear interest at an annual rate not to exceed the Maximum Rate allowed for the ECP Notes under the ECP Resolution. The Maximum Rate means, with respect to any ECP Note, the rate equal to the lesser of (a) 9% per annum, calculated on the basis of actual days elapsed and a 365/366 day year, or (b) the maximum rate of interest permitted by Section 47-14-103, Tennessee Code Annotated, or other applicable State law. Tennessee law currently prescribes a maximum rate equal to the prime rate in effect from time to time, plus 4.00%. The Maximum Rate in effect on the date hereof is 7.25%. The ECP Notes shall be sold by the Dealer pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof of the ECP Notes.

The ECP Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for the DTC. Beneficial ownership interests in the ECP Notes will be available in book-entry-only form, and purchasers of the ECP Notes will not receive certificates representing their interests in the ECP Notes purchased. See "THE ECP PROGRAM – BOOK-ENTRY-ONLY SYSTEM" herein.

Each ECP Note will mature on its Original Maturity Date, which may range from 1 to 90 days from its original Issue Date as determined by the Metropolitan Government upon the issuance of the applicable ECP

Note, unless the Metropolitan Government exercises its option to extend the maturity date. In that case, the ECP Note will mature on the Extended Maturity Date, which will be the business day that is the earlier of: (i) 270 days from its original Issue Date, and (ii) the Final Maturity Date December 31, 2020. ECP Notes may bear different Issue Dates, Original Maturity Dates, Extended Maturity Dates and interest rates.

Each ECP Note shall bear interest from its Issue Date to its Original Maturity Date at an annual rate, which shall not in any event exceed the Maximum Rate, payable on its Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the dates described below.

If the Metropolitan Government exercises its option to extend the maturity date of an ECP Note, the ECP Note will bear interest from the Original Maturity Date at the applicable Extension Rate payable on the dates described below.

The Metropolitan Government may, from time to time, without the consent or notice to the Noteholders, amend certain provisions of the ECP Resolution, including, without limitation, amendments to the definitions of Maximum Rate or Extension Rate, that are only effective for ECP Notes issued on or after the effective date of such amendment with appropriate disclosure. The ECP Notes shall be sold by the Dealer pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof of the ECP Notes.

The ECP Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for the DTC. Beneficial ownership interests in the ECP Notes will be available in book-entry-only form, and purchasers of the ECP Notes will not receive certificates representing their interests in the ECP Notes purchased. See "APPENDIX D – SUMMARY OF ECP RESOLUTION" herein.

Extension of the Maturity Date

The Metropolitan Government is required to notify the Issuing and Paying Agent and Dealer by 11:30 a.m. (New York, New York time) on the Original Maturity Date that it wishes to exercise its option to extend the maturity of an ECP Note. The Issuing and Paying Agent shall correspondingly notify (i) DTC by 12:00 noon on the Original Maturity Date and (ii) each Rating Agency then maintaining a rating on the ECP Notes and EMMA by the close of business on the Original Maturity Date, that the maturity is being extended. Even if the requisite notices are not given by the Metropolitan Government and/or the Issuing and Paying Agent, if payment of the principal of and interest on an ECP Note does not occur on the Original Maturity Date, the maturity of the ECP Note shall be extended automatically. With the consent of the Issuing and Paying Agent and the Dealer, the Metropolitan Government may modify the notification provisions contained in the ECP Resolution if deemed appropriate to conform to DTC's rules and procedures. In no event shall an extension of the Original Maturity Date constitute a default or a breach of any covenant under the ECP Resolution.

If the Metropolitan Government exercises its option to extend the maturity of an issue of ECP Notes, then:

- (i) neither principal nor interest shall be paid on the Original Maturity Date for such issue of ECP Notes;
- (ii) the ECP Notes shall mature on the Extended Maturity Date;
- (iii) the ECP Notes shall bear interest from the Original Maturity Date at the Extension Rate;
- (iv) accrued but unpaid interest shall be paid on each Extended Period Interest Payment Date and on the Extended Maturity Date, and no additional interest shall accrue on the accrued but unpaid interest.

The Extension Rate shall be the rate of interest per annum determined by the following formula; provided that such Extension Rate shall not exceed the Maximum Rate:

The greater of (SIFMA Index + E) or F

The Extension Rate applicable to an ECP Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m. on the Original Maturity Date of the Note and each Thursday thereafter and will apply from that date through the following Wednesday or, if earlier, the applicable Extended Maturity Date. As used in the formula, the E and F variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of the Rating Agencies then rating the ECP Notes, as follows:

Prevailing Rating

Moody's	S&P	E Variable	F Variable
P-1	A-1+	250 basis points	7.00%
-	A-1	350 basis points	7.50%
P-2	A-2	550 basis points	8.00%
Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the individual Prevailing Ratings indicate different E or F variables as a result of split ratings assigned to the Metropolitan Government, the E or F variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If another credit rating agency becomes a Rating Agency, the Issuing and Paying Agent shall, upon written direction of the Metropolitan Government, following consultation with the Metropolitan Government and the Dealer, determine how the agency's rating categories shall be treated for the purpose of indicating an E or F variable.

Redemption of the ECP Notes

The ECP Notes shall not be subject to redemption prior to their Original Maturity Date. In the event the Metropolitan Government exercises its option to extend the maturity of an ECP Note, that ECP Note may be redeemed on any date after its Original Maturity Date, at the option of the Metropolitan Government at a redemption price equal to par, plus accrued and unpaid interest to the redemption date; provided that no ECP Note with an Extended Maturity Date shall be redeemed unless all ECP Notes then Outstanding that have been extended beyond their Original Maturity Date are redeemed simultaneously. To exercise its redemption option, the Metropolitan Government shall provide not less than 5 nor more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify DTC of the Notes to be redeemed within one Business Day of receipt of such notice.

Book-Entry-Only System

This section describes how ownership of the ECP Notes is to be transferred and how the principal and interest on the ECP Notes are to be paid to and credited by DTC while the ECP Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Offering Memorandum. The Metropolitan Government believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Metropolitan Government cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the ECP Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the ECP Notes), or redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Offering Memorandum. The current rules applicable to DTC are on file with the SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the ECP Notes. The ECP Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered ECP Note will be issued for each

maturity of the ECP Notes in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's ratings of: AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of ECP Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for ECP Notes on DTC's records. The ownership interest of each actual purchaser of each ECP Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the ECP Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the ECP Notes, except in the event that use of the book-entry system for the ECP Notes is discontinued.

To facilitate subsequent transfers, all ECP Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of ECP Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the ECP Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such ECP Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of ECP Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the ECP Notes, such as redemptions, tenders, defaults, and proposed amendments to the ECP Program documents. For example, Beneficial Owners of ECP Notes may wish to ascertain that the nominee holding the ECP Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registration Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the ECP Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the ECP Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Metropolitan Government as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the ECP Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal of or interest on the ECP Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Metropolitan Government or the Registration Agent, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registration Agent or the Metropolitan Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal or interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Metropolitan Government, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the ECP Notes at any time by giving reasonable notice to the Metropolitan Government and the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, ECP Notes are required to be printed and delivered.

The Metropolitan Government may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the ECP Notes will be printed and delivered.

Use of Certain Terms in Other Sections of This Offering Memorandum

In reading this Offering Memorandum it should be understood that while the ECP Notes are in the Book-Entry-Only System, references in other sections of this Offering Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the ECP Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners pursuant to the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Metropolitan Government, the Financial Advisor or the Underwriter.

Effect of Discontinuance of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Metropolitan Government, printed ECP Notes will be issued to the holders and the ECP Notes will be subject to transfer, exchange and registration provisions as set forth in the ECP Resolution.

SECURITY AND SOURCE OF PAYMENT

Limited Obligations

The ECP Notes are payable primarily from the proceeds of subsequently issued ECP Notes and the proceeds of water and sewer revenue bonds of the Metropolitan Government (the "Bonds"). The ECP Notes are limited obligations of the Metropolitan Government additionally payable from and secured solely by a pledge of the Revenues of the System, subject to the application thereof pursuant to the Prior Resolutions, including (but not limited to) the payment of Operation and Maintenance Expenses, and subject to the prior pledge of such Revenues in favor of the Senior Lien Bonds, Second Senior Lien Bonds and the Subordinate Lien Bonds (as such terms are defined herein and collectively referred to as the "Prior Lien Bonds"). None of the ECP Notes constitute a debt or liability of the Metropolitan Government for which there is a right to compel the exercise of

the taxing power of the Metropolitan Government. The pledge of the Revenues to the payment of the ECP Notes is on a parity with the pledge thereof in favor of the Metropolitan Government's Water and Sewer Revenue Commercial Paper Notes, Series A (the "Traditional Notes") authorized in an amount up to \$200,000,000.

The ECP Notes when duly issued will constitute a contract between the Metropolitan Government and each registered owner of the ECP Notes. Any registered owner or owner(s) of the ECP Notes, including a trustee or trustees for the registered owners, shall have the right, in addition to all other rights: (a) by mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce his or her rights against the Metropolitan Government and the Metropolitan Council and any officer, agent or employee of the Metropolitan Government, including, but not limited to, the right to require the Metropolitan Government and the Metropolitan Council and any proper officer, agent or employee of the Metropolitan Government to carry out the covenants and agreements set forth in the ECP Note Resolution and to perform its and their duties under the applicable provisions of Section 9-21-101 et seq. of the T.C.A.; and (b) by action or suit in equity to enjoin any acts or things which may be unlawful or a violation of the rights of such registered owners of the ECP Notes.

"Revenues" means (a) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding any customer deposits or other deposits subject to refund, unless such deposits have become property of the Metropolitan Government, (b) the proceeds of any insurance covering business interruption loss relating to the System and (c) interest received or to be received on any moneys or securities held in any of the funds or accounts established by the Prior Resolutions, with the exception of (i) moneys held in any Construction Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution, or any account thereof and (ii) moneys held in any Debt Service Reserve Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution during any period in which the investment earnings thereon are directed by resolution supplemental thereto to any Construction Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution, or any account thereof. The computation of Revenues with respect to any period of time hereunder shall be increased by the amount of transfers during such period from the Rate Stabilization Fund (as defined in the Second Senior Lien Bond Resolution) to the Revenue Fund described in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution pursuant to Section 509(a) of the Second Senior Lien Bond Resolution, and decreased by the amount of any transfers during such period from the Revenue Fund to the Rate Stabilization Fund pursuant to Section 506(e) of the Second Senior Lien Bond Resolution. "Revenues" shall not include any Tax Credit Payments (as defined in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution), grant proceeds or, except as set forth in (b) above, insurance proceeds. "Operation and Maintenance Expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include payments in lieu of taxes or any reserve for renewals or replacements or any allowance for depreciation or amortization, and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of the Metropolitan Government which are properly allocable to the System. See Appendix E – Summary of ECP Resolution.

ECP Notes Subordinate to Bonds

Senior Lien Bonds

The pledge of the Revenues in favor of the ECP Notes is subject and subordinate to a prior pledge of the Revenues to the payment of the Metropolitan Government's outstanding Water and Sewer Revenue Refunding Bonds, Series 1986; Water and Sewer Revenue Bonds, Series 1993; Water and Sewer Revenue Bonds, Series 1998B; Water and Sewer Revenue Refunding Bonds, Series 2007; and Water and Sewer Revenue Refunding Bonds, Series 2008A (collectively, the "Senior Lien Bonds"). The application of Revenues pursuant to the terms of the ECP Resolution is subject to the prior application of the Revenues to certain funds and accounts pursuant to the Senior Lien Resolution authorizing the Senior Lien Bonds, as described more fully below. The Metropolitan Government may no longer issue any additional bonds pursuant to the Senior Lien Resolution on parity with the Senior Lien Bonds (see "DEBT SERVICE REQUIREMENTS").

Second Senior Lien Bonds

The pledge of the Revenues in favor of the ECP Notes is also subject and subordinate to a prior pledge of the Revenues to the payment of the Metropolitan Government's Water and Sewer Revenue Refunding Bonds, Series 2010A; Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds—Direct Payment); Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds); Water and Sewer Revenue Refunding Bonds Federally Taxable, Series 2010D; Water and Sewer Revenue Bonds, Series 2013; and any other series of bonds that may hereafter be issued pursuant to the Second Lien Resolution (collectively, the “Second Senior Lien Bonds”).

The Second Senior Lien Resolution permits the Metropolitan Government to issue additional series of Bonds on a parity and equality of lien, as to the Revenues, with the Second Senior Lien Bonds if, among other things, the Metropolitan Government certifies that the Revenues for any twelve (12) consecutive months period within the twenty-four (24) consecutive months immediately preceding the date of issuance of the additional Bonds were at least equal to the greater of (1) 120% of the maximum Debt Service Requirement on the Senior Lien Bonds and the Second Senior Lien Bonds in any future Fiscal Year, and (2) 110% of the maximum Debt Service Requirement on the Senior Lien Bonds, the Second Senior Lien Bonds, any Subordinate Lien Bonds (described below) and any other indebtedness of the Metropolitan Government payable from and secured by Revenues, including commercial paper, in any future Fiscal Year. The Second Senior Lien Resolution prohibits the future issuance of any debt obligations secured by a pledge of any portion of the Revenues on a basis senior to the Second Senior Lien Bonds, including bonds which may previously have been issued under the Senior Lien Resolution (See “DEBT SERVICE REQUIREMENTS”).

Subordinate Lien Bonds

The pledge of the Revenues in favor of the ECP Notes is also subject to a prior pledge of the Revenues to the payment of the Metropolitan Government's Subordinate Lien Water and Sewer Revenue Refunding Bonds, Series 2012 and any other series of bonds that may hereafter be issued pursuant to the Subordinate Lien Bond Resolution (the “Subordinate Lien Bonds”).

The Subordinate Lien Bond Resolution permits the Metropolitan Government to issue additional series of Bonds on a parity and equality of lien, as to the Revenues, with the Subordinate Lien Bonds if, among other things, the Metropolitan Government certifies that the Revenues for any twelve (12) consecutive month period with the twenty-four (24) consecutive months immediately preceding the date of issuance of the additional Bonds were at least equal to 110% of the maximum resulting Debt Service Requirement on the Senior Lien Bonds, Second Senior Lien Bonds and the Subordinate Lien Bonds in any future Fiscal Year.

The Subordinate Lien Bond Resolution permits the issuance of Second Senior Lien Bonds secured by a pledge of Revenues on a basis senior to that of the Subordinate Lien Bonds if, among other things, the Metropolitan Government certifies (a) that the Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of such Second Senior Lien Bonds were at least equal to 110% of the maximum resulting Debt Service Requirement on the Senior Lien Bonds, Second Senior Lien Bonds and the Subordinate Lien Bonds in any future Fiscal Year or (b) that such series of Second Senior Lien Bonds is a refunding issue that will reduce the future Debt Service Requirement on the Senior Lien Bonds, Second Senior Lien Bonds and Subordinate Lien Bonds in all future Fiscal Years.

Rate Covenant

The Second Senior Lien Resolution requires the Metropolitan Government to set and maintain rates sufficient to produce Revenues in each Fiscal Year at least equal to the greater of (i) 120% of the Debt Service Requirement on the Senior Lien Bonds and the Second Senior Lien Bonds in such Fiscal Year; or (ii) 100% of the sum of (A) the Debt Service Requirement on the Senior Lien Bonds, the Second Senior Lien Bonds, Subordinate Lien Bonds and any other indebtedness of the Metropolitan Government payable from and secured by Revenues, including commercial paper in such Fiscal Year, (B) the amounts required to be paid during such Fiscal Year into the debt service reserve fund and the operating reserve fund established by the Senior Lien Resolution and to the Debt Service Reserve Fund established pursuant to the Second Senior Lien Resolution, and

(C) the amount of all other charges and liens whatsoever payable out of Revenues during such Fiscal Year, including, but not limited to, payments in lieu of taxes.

So long as the Senior Lien Bonds remain outstanding, the Metropolitan Government must also remain in compliance with the rate covenant established by the Senior Lien Resolution. The Senior Lien Resolution requires that System rates be set so as to cause System revenues in each fiscal year to exceed 110% of the sum of System operating expenses and Senior Lien Bonds debt service for such fiscal year.

Par Amount of Bonds Outstanding

As described above, the ECP Notes are payable from Revenues on a subordinate basis to the Prior Lien Bonds. The following table details the total par amount of the outstanding Senior Lien Bonds, Second Senior Lien Bonds, and Subordinate Lien Bonds. Additional Bonds may be issued on parity of lien with the Second Senior Lien Bonds and Subordinate Lien Bonds in the manner provided above.

Lien of Bonds	Par Amount Outstanding
Senior Lien Bonds	\$114,590,000
Second Senior Lien Bonds	\$559,590,000
Subordinate Lien Bonds	\$122,505,000

[Remainder of page intentionally left blank]

DEBT SERVICE REQUIREMENTS

The following table details the total annual debt service requirements for the Prior Lien Bonds.

<u>Fiscal Year</u>	<u>Senior Lien Bonds</u>	<u>Second Senior Lien Bonds</u>	<u>Subordinate Lien Bonds</u>	<u>Total</u>
6/30/2015	\$ 21,569,763	\$ 40,035,798	\$ 5,925,250	\$ 67,530,810
6/30/2016	19,275,713	29,913,073	5,925,250	55,114,035
6/30/2017	16,716,413	29,803,223	15,967,750	62,487,385
6/30/2018	16,738,725	30,086,257	22,789,625	69,614,607
6/30/2019	16,717,525	30,083,201	21,742,375	68,543,101
6/30/2020	16,646,950	30,113,761	20,766,500	67,527,211
6/30/2021	16,722,513	30,100,436	19,844,125	66,667,073
6/30/2022	16,634,763	30,057,836	18,768,000	65,460,598
6/30/2023	-	36,153,836	17,953,250	54,107,086
6/30/2024	-	36,141,211	7,205,750	43,346,961
6/30/2025	-	36,147,586	-	36,147,586
6/30/2026	-	36,131,361	-	36,131,361
6/30/2027	-	36,110,011	-	36,110,011
6/30/2028	-	36,129,861	-	36,129,861
6/30/2029	-	36,097,211	-	36,097,211
6/30/2030	-	36,089,284	-	36,089,284
6/30/2031	-	36,079,813	-	36,079,813
6/30/2032	-	36,060,661	-	36,060,661
6/30/2033	-	36,054,132	-	36,054,132
6/30/2034	-	36,039,531	-	36,039,531
6/30/2035	-	36,029,648	-	36,029,648
6/30/2036	-	36,017,040	-	36,017,040
6/30/2037	-	36,009,140	-	36,009,140
6/30/2038	-	36,009,055	-	36,009,055
6/30/2039	-	36,027,672	-	36,027,672
6/30/2040	-	36,020,232	-	36,020,232
6/30/2041	-	36,005,361	-	36,005,361
6/30/2042	-	35,995,006	-	35,995,006
6/30/2043	-	17,283,400	-	17,283,400
6/30/2044	-	17,283,900	-	17,283,900
	\$ 141,022,363	\$ 1,006,108,534	\$ 156,887,875	\$ 1,304,018,772

FUTURE CAPITAL NEEDS

Under a proposed consent decree between the Metropolitan Government, the Tennessee Department of Environment and Conservation and the United States Environmental Protection Agency (the “Consent Decree”), the Metropolitan Government is obligated to make future capital expenditures to address and correct deficiencies within the System in an approximate amount of \$1 billion to \$1.5 billion over an eleven-year period, which period shall begin upon the approval of plans previously submitted by the Metropolitan Government. Subsequent to submitting its plans, the Metropolitan Government has requested an extension of the eleven-year period to complete the projects. No decision has been made on this request. The Metropolitan Government expects to fund these expenditures primarily through commercial paper, long-term borrowings, and System revenues. Additional information regarding the Consent Decree and the required capital expenditures can be found in Appendix B hereof.

As part of its capital improvement plan for the System for years 2015 through 2019, the Metropolitan Government plans to spend an additional amount of approximately \$544 million for capital projects for the System (not including projects related to the Consent Decree). These capital projects are also expected to be primarily funded with commercial paper, long-term borrowings, and System revenues. Additional information regarding the capital improvement plan and the required capital expenditures can be found in Appendix B hereof.

The Metropolitan Government expects that some portion of capital needs described above will be funded with additional Second Senior Lien Bonds (see "SECURITY AND SOURCE OF PAYMENT—Additional Bonds").

LITIGATION

At the time of the original delivery of the ECP Notes, there will be furnished a certificate of certain officers of the Metropolitan Government stating that there is no litigation then pending, or to their knowledge threatened, restraining, enjoining, or adversely affecting the issuance or delivery of the ECP Notes, the fixing or collecting of rates and charges for the services of the System, the proceedings and authority under which the ECP Notes are to be issued or which affect in any way the validity of the ECP Notes.

The Metropolitan Government is a party to various lawsuits in the normal course of business. It is the opinion of the Director of Law of the Metropolitan Government that there is no pending litigation against the Metropolitan Government that, if decided adversely to the Metropolitan Government, would have a material adverse financial impact upon the Metropolitan Government or its operations.

TAX MATTERS

Federal Taxes

Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the ECP. Their opinion under existing law, relying on certain statements by the Metropolitan Government and assuming compliance by the Issuer with certain covenants, is that interest on the ECP is excluded from a ECP Note holder's federal gross income under the Internal Revenue Code of 1986, is not a preference item for a ECP Note holder under the federal alternative minimum tax, and is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the "Code") imposes requirements on the ECP that the Issuer must continue to meet after the ECP Notes are issued. These requirements generally involve the way that ECP Note proceeds must be invested and ultimately used. If the Issuer does not meet these requirements, it is possible that a ECP Note holder may have to include interest on the ECP Note in its federal gross income on a retroactive basis to the date of issue. The Metropolitan Government has covenanted to do everything necessary to meet these requirements of the Code.

An ECP Note holder who is a particular kind of taxpayer may also have additional tax consequences from owning the ECP Notes. This is possible if an ECP Note holder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Commercial Paper.

If an ECP Note holder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the ECP or affect the market price of the ECP. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the ECP, or under State, local or foreign tax law.

State Taxes

Under existing law, the ECP and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the ECP during the period the ECP are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the ECP in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the ECP or otherwise prevent holders of the ECP from realizing the full benefit of the tax exemption of interest on the ECP. Further, such proposals may impact the marketability or market value of the ECP simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to ECP Notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the ECP. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the ECP would be impacted thereby. Purchasers of the ECP Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the ECP Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

LEGAL OPINION

The validity of the ECP will be approved by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. For the form of proposed Bond Counsel opinion, which includes certain assumptions as to future acts by the Metropolitan Government, see Appendix D.

FINANCIAL INFORMATION

The Metropolitan Government is not required to file reports with the S.E.C. in connection with the ECP. In connection with the issuance of the ECP, the Metropolitan Government will not agree to provide any "annual financial information" (within the meaning of S.E.C. Rule 15c-12) or any other information or notices required by Rule 15c2-12 to the MSRB. However, the Metropolitan Government has agreed to provide such "annual financial information" and other information and notices required by S.E.C. Rule 15c2-12 to the Electronic Municipal Market Access of the Municipal Securities Rulemaking Board ("EMMA") in connection with the issuance of its various outstanding water and sewer revenue bonds, and such information is available from the EMMA (www.emma.msrb.org) as long as the Metropolitan Government has outstanding water and sewer revenue bonds.

Audited financial statements of the Metropolitan Government and certain supplementary information for each fiscal year are also available through the website of the Metropolitan Government's Department of Finance at <http://www.nashville.gov/Finance/Office-of-the-Treasurer/Debt/Investor-Relations.aspx>. Such

audited financial statements and supplementary information are additionally available from the Metropolitan Government upon request sent to the Treasurer of the Metropolitan Government at 700 2nd Avenue South, 2nd Floor, Nashville, TN 37210. To the extent there are any differences between the financial statements posted on the Department of Finance's website or sent by the Treasurer of the Metropolitan Government and the financial statements filed with EMMA, the statements filed with EMMA shall control.

This Offering Memorandum is not a summary of the terms of the ECP, and information essential to the making of an informed decision with respect to the ECP may be obtained in the manner described above. All references to documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced. The information and expressions of opinion in this Offering Memorandum are subject to change without notice, and future use of this Offering Memorandum shall not create any implication that there has been no change in the matters described herein since the date hereof.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned ratings of "P-1" and "A-1+", respectively, to the ECP. The ratings reflect only the respective views of such organizations, and the Metropolitan Government makes no representation as to the appropriateness of the ratings. Any explanation of the significance of the ratings may be obtained only from the respective rating agency furnishing the same at the following addresses: Moody's Investors Services, Inc., 7 World Trade Center at 250 Greenwich Street, New York, NY 10007; Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. The Metropolitan Government furnished to each rating agency certain information and materials, some of which may not have been included in this Offering Memorandum, relating to the Metropolitan Government and its outstanding debt. Generally, rating agencies base their ratings upon such information and materials and upon investigations, studies and assumptions by the ratings agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the ECP.

Additionally, due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the ECP, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, such as the ECP.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Metropolitan Government in connection with the issuance of the ECP. The Financial Advisor's fees for services rendered with respect to the sale of the ECP are contingent upon the issuance and delivery of the ECP. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the ECP or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, First Southwest Company may from time to time sell investment securities to the Metropolitan Government for the investment of bond proceeds or other funds of the Metropolitan Government upon the request of the Metropolitan Government.

The Financial Advisor has provided the following sentence for inclusion in this Offering Memorandum: The Financial Advisor has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to the Metropolitan Government and, as applicable, to investors under the federal

securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

DEALER

The Metropolitan Government has appointed Morgan Stanley & Co. LLC (the “Dealer”) to serve as dealer for the ECP Notes. Adams and Reese LLP has been retained as counsel to the Dealer in connection with the issuance of the ECP Notes. Under the Dealer Agreement, dated as of April 1, 2015, by and between the Metropolitan Government and the Dealer, the Dealer has no commitment to purchase any of the ECP Notes, but is obligated only to use best efforts as agents of the Metropolitan Government to solicit and arrange sales of the ECP Notes on behalf of the Metropolitan Government. Inquiries to the Dealer may be directed to the following:

Morgan Stanley
1585 Broadway
New York, New York 10036
Attn: Municipal Short Term Products
Tel: (212) 761-9093
Fax: (212) 507-2103
Email: short-term-notice@morganstanley.com

INDEPENDENT AUDITORS

An electronic link to the Metropolitan Government's comprehensive annual financial statements as of the fiscal year ended June 30, 2014 is included in Appendix A, and such financial statements have been audited by Crosslin & Associates, independent auditors, as stated in its report.

Crosslin & Associates has not been engaged to perform and has not performed, since the date of its report included herein, any procedure on the financial statements addressed in that report and has not performed any procedures relating to this Offering Memorandum.

FORWARD LOOKING STATEMENTS

The statements contained in this Offering Memorandum, and in any other information provided by the Metropolitan Government, that are not purely historical, are forward-looking statements, including certain statements regarding the Metropolitan Government's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Offering Memorandum are based on information available to the Metropolitan Government on the date hereof and the Metropolitan Government assumes no obligation to update any such forward-looking statements. It is important to note that the Metropolitan Government's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein necessarily are based on various assumptions and estimates and inherently are subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Metropolitan Government. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Offering Memorandum will prove to be accurate.

In considering the matters set forth in this Offering Memorandum, prospective investors should carefully review all information included herein (particularly the information under this caption) to identify any investment considerations. Potential investors should be thoroughly familiar with this entire Offering Memorandum and the appendices hereto, and should have accessed whatever additional financial and other

information any such investor may deem necessary, prior to making an investment decision with respect to the ECP.

MISCELLANEOUS INFORMATION

The references, excerpts and summaries of all documents referred to in this Offering Memorandum and in the Appendices to this Offering Memorandum do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the ECP, the security for the payment of the ECP and the rights and obligations of the holders thereof.

Any statements made in this Offering Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Offering Memorandum nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the ECP.

The information contained in this Offering Memorandum has been compiled from sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

[Remainder of Page Intentionally Left Blank]

AUTHORIZATION OF OFFERING MEMORANDUM

The execution and distribution of this Offering Memorandum have been duly authorized by the Metropolitan Government.

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

By: /s/ Karl F. Dean
Karl F. Dean
Metropolitan Mayor

APPENDIX A

**ELECTRONIC LINK TO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE METROPOLITAN GOVERNMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

General Purpose Financial Statements

Audited Financial Statements of the Metropolitan Government and supplementary information as of and for the fiscal year ending June 30, 2014, together with the independent auditors' report from Crosslin & Associates, are available through the website of the Metropolitan Government's Department of Finance at <http://www.nashville.gov/Finance/Office-of-the-Treasurer/Debt/Investor-Relations.aspx> and are hereby incorporated by reference as part of this Appendix A. To the extent there are any differences between the electronically posted financial statements of the Metropolitan Government and the printed financial statements of the Metropolitan Government, the printed version shall control.

Crosslin & Associates has not been engaged to perform and has not performed, since the date of its report included herein, any procedure on the financial statements addressed in that report and has not performed any procedures relating to this Offering Memorandum.

APPENDIX B

FINANCIAL AND OPERATING INFORMATION REGARDING THE WATER AND SEWER SYSTEM

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF WATER AND SEWERAGE SERVICES
HISTORICAL STATEMENT OF REVENUES, OPERATING EXPENSES, DEBT SERVICE AND
UNRESTRICTED FUND BALANCES

For the Fiscal Years Ending June 30

The following table presents a summary of the revenues, operating expenses, debt service and unrestricted fund balances for the System for the 2011-2015 Fiscal Years. The 2015 information is presented on a budgeted basis. The following table is not necessarily indicative of the future financial performance of the System.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (6)</u>
Operating Revenues (1)	195,544,617	200,762,485	208,495,674	211,035,704	207,653,500
Non-Operating Revenues	<u>723,198</u>	<u>500,518</u>	<u>613,880</u>	<u>2,019,225</u>	<u>96,000</u>
Total Revenues	\$196,267,815	201,263,003	209,109,554	213,054,929	207,749,500
Operating Expenses:					
Less Depreciation and Amortization	<u>94,477,652</u>	<u>102,485,225</u>	<u>103,422,925</u>	<u>101,703,327</u>	<u>119,176,900</u>
Net Revenues (2)	101,790,163	98,777,777	105,686,629	111,351,602	88,572,600
Debt Service on Prior First Lien Bonds	50,625,172	50,574,057	50,338,079	32,726,150	21,569,763
Debt Service on Outstanding Second Lien Bonds (3)(4)	-	14,254,112	13,683,948	21,324,195	40,035,798
Debt Service on SRF Loans/Subordinate Series 2012 Bonds (5)	<u>13,223,844</u>	<u>-</u>	<u>7,773,667</u>	<u>10,903,825</u>	<u>5,925,250</u>
Total Debt Service	63,849,016	64,828,169	71,795,694	64,954,170	67,530,811
Undesignated Fund Balance	49,959,374	42,813,676	33,725,930	42,665,652	44,286,300

- (1) Beginning in 2011, Operating Revenue include sewer surcharge fees previously dedicated solely to the payment of the System's Tennessee Local Development Authority Loans
- (2) As defined by the Bond Resolution
- (3) Debt Service on Outstanding Second Lien Bonds reflects in part the refunding of the Tennessee Local Development Authority Loans previously paid solely from sewer surcharge fees
- (4) Net of federal subsidy on direct payment bonds
- (5) The System's outstanding State Revolving Loans were refunded by the Subordinate Series 2012 Bonds in February 2012
- (6) Budgeted

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY DEPARTMENT
OF WATER AND SEWERAGE SERVICES**

PLEDGED REVENUE COVERAGE

For the Fiscal Year Ending June 30

The following table presents a summary of the pledged revenue coverage for the System for the 2011-2014 Fiscal Years. The following table is not necessarily indicative of the future financial performance of the System.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Revenue Available for Debt Service				
Gross Revenue (1)	196,267,815	201,263,003	209,109,554	213,054,929
Operating Expenses (2)	<u>94,477,652</u>	<u>102,485,225</u>	<u>103,422,925</u>	<u>101,703,327</u>
Net Revenue	<u>101,790,163</u>	<u>98,777,777</u>	<u>105,686,629</u>	<u>111,351,602</u>
Debt Service Requirement				
Principal	37,830,000	42,410,000	30,765,000	31,500,000
Interest	<u>26,998,169</u>	<u>29,385,694</u>	<u>34,189,170</u>	<u>41,367,233</u>
Total Debt Service	<u>64,828,169</u>	<u>71,795,694</u>	<u>64,954,170</u>	<u>72,867,233</u>
Coverage Ratio	1.57	1.38	1.63	1.53

- (1) Include interest on investment and other income
- (2) Excludes depreciation and amortization expense

THE WATER AND SEWER SYSTEM

General

The formation of the Metropolitan Government of Nashville and Davidson County ("Metropolitan Government") effective on April 1, 1963 resulted in the combination and consolidation of (1) the water and sewage system formerly maintained by the City of Nashville, and (2) the sewage system formerly maintained by the Davidson County Improvement District No. 1 into the Department of Water and Sewerage Services (the "Department"). The Department, established under Section 8.501 of the Charter of the Metropolitan Government, is charged with the responsibility for construction, operation and maintenance of all water and sanitary sewer facilities for the Metropolitan Government as well as the collection of all charges for the services of such utilities.

In addition to the facilities thus combined and consolidated, the Water System (as defined herein) and the Sewer System (as defined herein) have gradually been expanded and include: improvements financed by revenues; improvements resulting from capital contributions in aid of construction by private developers; all improvements, additions and extensions financed with the proceeds of outstanding bonds and governmental grants; and facilities acquired from the Nashville Suburban Utility District, the First Suburban Water Utility District of Davidson County, Tennessee, the sewerage service of the Parkwood Service Company, the Joelton Water Utility District, the City of Lakewood water and sewerage system, Rayon City Water Company, the Cumberland Utility District, the sewerage service of the Nolensville/College Grove Utility District in Williamson County, and the Old Hickory Utility District of Davidson County.

Under the Charter and Tennessee Code Annotated §7-3-302, the Metropolitan Government can assume and take over any water and/or sewer utility district located within its boundaries through ordinances adopted by the Metropolitan Council. Several such systems currently operate inside Davidson County and if a decision is made to consolidate these operations into the Department, the Metropolitan Government will take subject to or retire all debts and liabilities of the systems. The economic impact of such an assumption or takeover would be evaluated

prior to the submission of any legislation to the Metropolitan Council. By contract dated February 1996, the Metropolitan Government has agreed not to take over the Harpeth Valley Utility District before February 2026.

Historically, the Department managed and partially funded the Stormwater operations of the Metropolitan Government. In 2009, the Metropolitan Government established a Stormwater Division of the Department as a stand-alone enterprise fund with its own set of service fees, which are now an itemized part of the water bill. Further funding of Stormwater operations will not be required of the Department.

The Water System

The water provided by the Department's water system (the "Water System") currently meets all physical, chemical, and bacteriological water quality standards established by the United States Environmental Protection Agency (the "EPA") under the Safe Drinking Water Act, as amended, by the Tennessee Department of Environment and Conservation ("TDEC") and under the Tennessee Safe Drinking Water Act of 1983, as amended.

The Water System draws water from the Cumberland River and processes it through modern filtration plants for delivery into the distribution system. Raw water is treated by chemical coagulation, flocculation, clarification, filtration, and disinfection. The existing water treatment plants and pumping facilities have a total delivery capacity of 182 million gallons per day. In Fiscal Year 2014, net sales to retail customers were 22.1 billion gallons. The peak demand for water from the system during Fiscal Year 2014 was 106.43 million gallons on June 18, 2014.

The Robert L. Lawrence, Jr. Filtration Plant, originally placed in service in 1929, was extensively modernized and expanded in 1953 and 1963 to a capacity of 72 million gallons per day. An upgrade of this plant was completed in 2001 and it now has a treatment capacity of 90 million gallons per day. A central control room located at this plant provides constant monitoring of the status of all water pumping stations and reservoirs.

The K. R. Harrington Water Treatment Plant was completed and placed into operation in 1977. This facility provided an additional capacity of 60 million gallons per day to the Metropolitan Government's water treatment capabilities. Expansion of this plant to 90 million gallons per day was completed in 1992 and will ensure an adequate supply of potable water through the coming years. In 1999, as a precaution against prolonged power outages caused by ice storms, tornadoes, or other disasters, the Harrington Plant was equipped with four emergency generators with a capacity of 1,750 kW each. These generators allow the Department to operate the plant at a capacity of 72 million gallons per day.

The Old Hickory Utility District of Davidson County, Tennessee (the "District") is a public water utility district established in 1951 under the State of Tennessee Utility Act of 1937. The Water System acquired the District on July 1, 2013 and is part of water production of Water System. The District provided an additional production capacity of 2 million gallons per day to the Metropolitan Government's water treatment capabilities.

The water from the existing treatment plants is delivered into the water distribution system via six major transmission mains. The distribution system contains approximately 3,042 miles of mains ranging in diameter from 2 inches to 60 inches. Storage is provided by the 51 million gallon capacity Eighth Avenue Reservoir and various other reservoirs with a combined additional capacity of 33.3 million gallons and by tanks and stand pipes, many of which are utilized to provide water service in areas of higher elevation than the central urbanized area. At this time only half of the Eighth Avenue Reservoir is in service, thus reducing its capacity to 25.5 million gallons. The Water System has 53 booster-pumping stations to deliver water to these higher regions.

Although recent growth has been relatively flat, the Water System has experienced continuous growth over the past decade, and as of Fiscal Year 2014, has provided direct service to 190,699 customers. In Fiscal Year 2014, 60% of the water provided by the Water System was consumed by commercial and industrial customers (including residential apartment complexes), and 40% by residential customers. The following table illustrates growth of the Water System over the past 10 years.

Water System Facts in Brief

	<u>Fiscal Year Ended June 30</u>		
	<u>2014</u>	<u>2004</u>	<u>(2004 - 2014)</u> <u>Ten Year History</u>
Use of Water			
Water Customers - End of Period ⁽¹⁾ (thousands)	190,699	158,613	20.2%
Average Daily Finished (millions of gallons)	85.8	90.8	(5.5)%
Water Sales for Fiscal Year (billions of gallons)	22.1	24.8	(10.8)%
Maximum Daily Demand (millions of Gallons)	106.4	107.4	(0.9)%
Growth of System			
Utility Plant Value ⁽²⁾ (millions)	\$1,778	\$1,290	37.8%
Reservoirs	36	46	(21.7)%
Storage Capacity (millions of gallons)	59	97.1	(39.2)%
Auxiliary Pump Stations	53	57	(7.0)%
Total Miles, Distribution Lines	3,042	2,746	10.8%
Fire Hydrants	20,855`	17,503	19.2%

(1) As per billing records

(2) Property, Plant & Equipment of the Combined Water and Sewer System, net of depreciation

The Department has a contract with Water Systems Optimization to perform an independent water audit annually. The audit for Fiscal Year 2014 is complete. During the audit, the system input volume is categorized as revenue water or non-revenue water. Non-revenue water is further broken down into real losses (leakage) and apparent losses (meter error). For Fiscal Year 2014, the real losses were 27% of system input volume and the apparent losses were 2% of system input volume.

The Sewer System

The existing sewerage system (the "Sewer System") comprises 2,943 miles of gravity sewers, 112 pumping stations, 160.0 miles of force main and four treatment plants, the three most important of which are the Central Wastewater Treatment Plant, the Dry Creek Wastewater Treatment Plant, and the Whites Creek Wastewater Treatment Plant. The Central Wastewater Treatment Plant has a capacity of 250 million gallons per day plus an additional 80 million gallons per day stormwater treatment for a total capacity of 330 million gallons per day. The Dry Creek Wastewater Treatment Plant has a design capacity of 24 million gallons per day of secondary treatment while the Whites Creek Wastewater Treatment Plant has a capacity of 37.5 million gallons per day of secondary treatment.

The Department properly treats and disposes of sludge produced at its treatment plants consistent with State and Federal law, and has constructed a \$132 million biosolids facility to stabilize and further treat sludge, including sludge thickening, anaerobic digestion and heat drying. The methane gas produced from the digesters is used to heat dry the sludge into pellets, which are considered a Class A material by the USEPA and are a marketable product. The facility has significantly reduced the need to landfill the residuals.

The following table provides data on the use and facilities of the Sewer System over the last ten years. The average number of customers served increased 16.9% since Fiscal Year 2004. Over the last ten years, there has been a 13.1% increase in the number of sewerage pumping stations and a concurrent 12.7% increase in the miles of sewer lines. Wastewater treatment has increased by approximately 15.4%.

Sewer System Facts in Brief

	<u>Fiscal Year Ended June 30</u>		
	<u>2014</u>	<u>2004</u>	<u>(2004 - 2014)</u> <u>Ten Year History</u>
Sewer Customers - End of Period	198,119	169,533	16.9%
Annual Sewage Treatment (billions of gallons)	61.5	53.3	15.4%
Average Daily Treatment (millions of gallons)	168.6	146.0	15.4%
Growth of System			
Utility Plant Value ⁽¹⁾ (millions)	\$1,778	\$1,290	37.8%
Total Miles of Sewer Lines	3,103	2,753	12.7%
Number of Treatment Plants	4	5	(20.0)%
Number of Pumping Stations	112	99	13.1%

(1) Property, Plant & Equipment of the Combined Water and Sewer System, net of depreciation

[Remainder of page intentionally left blank]

Major Customers

The following list shows the largest customers of the Department for water and sewer services for the fiscal year ended June 30, 2014, ranked according to billings.

WATER SERVICES LARGEST CUSTOMERS (In 1,000's)

Vanderbilt University	\$ 1,899
City of Brentwood	895
Metro Schools	860
Metro Water Services	541
Opryland, USA	441
Metro District Energy Systems	324
Tennessee State University.	307
Bridgestone Tire & Rubber Co.	288
CSX Transportation	263
Carlex Glass America, LLC	255

SEWER SERVICES LARGEST CUSTOMERS (In 1,000's)

Brentwood Lift Station	\$ 3,259
Hendersonville Utility District	3,117
City of Juliet	2,630
Vanderbilt University	2,449
City of Goodlettsville District	1,860
City of Laverne	1,645
Metro School	1,456
Metro Water Services	910
Opryland, USA	885
White House Utility	596

Management and Personnel

SCOTT A. POTTER, P.E., Director, graduated from Vanderbilt University with a Bachelor of Engineering Degree in Electrical Engineering in 1986 and was commissioned as an Ensign in the United States Navy. While serving in the Navy Mr. Potter received a Master's Degree in Mechanical Engineering from the Naval Postgraduate School in Monterey, California, in 1991. Mr. Potter served on two destroyers: USS COCHRANE (DDG 21) and USS CALLAGHAN (DDG 994). While stationed at the United States Naval Academy, he earned the academic rank of Master Instructor, teaching courses in Statics, Materials Science, Applied Fluid Mechanics, Thermodynamics, and Applied Thermodynamics. The Louisville Water Company, in Louisville, Kentucky, employed Mr. Potter as Manager of Distribution Operations from 1998 to 2001. He was also an adjunct member of the faculty of the Mechanical Engineering Department in the Speed Scientific School at the University of Louisville, and an instructor at Vanderbilt University, where he taught a course in water and wastewater policy.

DAVID M. TUCKER, Assistant Director (Operations), graduated from Tennessee State University with a Bachelor of Science Degree in Biological Sciences. He has twenty-six year experience in water and wastewater treatment plant operations and maintenance. Mr. Tucker holds a State of Tennessee Grade IV Operator's Certification in both water and wastewater treatment. The Operations division is responsible for the operation and maintenance of all water and wastewater treatment facilities, all associated pumping stations and reservoirs, Laboratory Services and Security. He joined the Department in 1987 as an Assistant Plant Manager and has progressed to his present position. He is a member of the Water Environmental Federation and the American Water Works Association

CYRUS Q. TOOSI, P.E., Assistant Director (Engineering), graduated from the University of Texas at Austin, in 1988, with a Bachelor of Science Degree in Civil Engineering. Mr. Toosi held a position with the City of Houston for two years prior to coming to Nashville. In 1990 he joined the Department as a hydraulic modeler, and as a flow monitoring, and planning specialist. He has since advanced to his present position. He has twenty years of experience in the engineering of water and wastewater system. He has created MWS' Master Water Growth Plan, Asset Management Program, and Water Infrastructure Rehabilitation Program. He also currently serves as the Chief Engineer for the Department and also oversees the Overflow Abatement. He holds a Professional Engineering License in the State of Tennessee and is a member of the American Water Works Association and Water Environment Federation

HAL BALTHROP, P.E., Assistant Director (Repair and Maintenance of Distribution and Collection Systems), holds a Bachelor of Science Degree in Civil Engineering from Tennessee Technological University. He is a licensed Professional Engineer and the Department's State Licensed Collection System Manager and Water Distribution Manager. Mr. Balthrop also serves on the Tennessee Board of Architectural and Engineering Examiners, serves as State Chair of the Tennessee Water and Wastewater Agency Response Network, serves as Chair of the KY/TN AWWA Water Utility Committee on Legislative Issues and is a member of WEF, AWWA, TWWA, and TAUD.

MARTHA SEGAL, Assistant Director (Customer Services & Information Services), graduated from Old Dominion University with a Bachelor of Science in Business Administration Degree and a Master of Business Administration Degree. She worked with the Department of Utilities in Norfolk, Virginia for 14 years prior to being recruited to Metro Water Services in 2000. She served for many years on the AWWA Virginia Section Customer Service Committee. She is a member of the American Water Works Association Board of Directors serving as a Director At Large. She is also a member of the DMIC (Diversity & Member Inclusion Committee) for AWWA. She is a Past Chair of the KY/TN Section AWWA, and currently serves as a member of the Diversity Committee and the Water for People committee.

ANTHONY J. NEUMAIER, C.P.A., Assistant Director (Accounting), holds a Bachelor of Science Degree in Accounting from the University of Alabama, Birmingham. He is a licensed Certified Public Accountant in the State of Tennessee and is a member of the Tennessee Society of Certified Public Accountants. Mr. Neumaier joined the Department in 2007 as a Finance Manager and has progressed to his present position. He has over 15 years of professional experience in financial reporting, compliance, and internal auditing. Prior to transferring to Metro Water Services, Mr. Neumaier served as an Audit Manager for the Metropolitan Government of Nashville and Davidson County.

At the end of Fiscal Year 2014, the Department employed 635 persons.

Pension Plans and Other Post-Employment Benefits

Overview

Employees of the Department participate in one of two main pension plan groups:

1. Metro Active Plans
2. Closed Plans maintained under the Guaranteed Payment Program

The Department's expenses for the various pension plans are determined by the contribution rate established by the Metro Employee Benefit Board and totaled \$5,531,404 for the year ended June 30, 2014.

The Metro Active Plans consist of two divisions – A and B. Division A was established at the inception of the Metropolitan Government on April 1, 1963 and implemented on November 4, 1964. At that time, all employees of the former city and county governments were given the option of continuing as participants of the pension plans of those organizations or transferring to the Metro Plan Division A. Division A of the Metro Plan was closed to new members on July 1, 1995.

On July 1, 1995, Division B of the Metro Active Plans was established for all non-certified employees of the Metropolitan Nashville Public Schools and all other Metropolitan Government employees. Metropolitan Government employees who were members of Division A were given the option to transfer to Division B as of January 1, 1996. At that time, 95% of the approximately 11,300 employees elected to transfer to Division B.

The Metro Active Plan Division B is a non-contributory, defined benefit plan, covering approximately 13,000 current employees and 9,900 retired and deferred vested employees. The Active Plan covers all employees of the Metropolitan Government other than teachers. Contributions attributable to employees of the general government (approximately 75% of total) are funded from the Metropolitan Government's operating fund and revenues. The balance of contributions (approximately 25%) is attributable to the Metropolitan Government employees at enterprise funds and other non-operating funded agencies of the Metropolitan Government (e.g. contributions for water and sewer department employees and funded from water and sewer revenues).

The Closed Plans are defined benefit plans collectively covering one active employee and approximately 2,135 retired employees. Contributions to the Closed Plans are funded from the Metropolitan Government's operating fund through the Guaranteed Payment Plan.

Metro Active Plan

Benefits

Normal retirement for employees other than police officers and fire fighters occurs at the unreduced retirement age, which is the earlier of (a) the date when the employee's age plus the completed years of credited employee service equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime annual benefit is calculated as 1.75% X final average earnings X years of credited service. Final average earnings is the highest 60 consecutive months of credited service divided by 5. Benefits fully vest on completing 5 years of service. Employees with a date of hire on or after January 1, 2013 will become fully vested on completing 10 years of service.

An early retirement pension is available for retired employees if the retirement occurs prior to the eligibility of normal retirement but after age 50 (45 for police and fire) and after the completion of 10 years credited employee service. Benefits are reduced by 4% for each of the first 5 years by which the retirement date precedes the normal retirement age, and by 8% for each additional year by which the retirement date precedes the normal retirement age.

Any employee who terminates after completion of required years of service to be vested and before eligibility for normal or early retirement is eligible to receive a monthly deferred pension commencing on the first day of the month following the attainment of unreduced retirement age computed and payable in accordance with the plan.

Funding

Minimum Required Employer Contribution: The Metropolitan Code of Ordinance requires the Metropolitan Government to contribute to the Metro Active Plans each fiscal year an amount equal to a percentage of the annual payroll of members who are eligible employees and who are covered for pension benefits the percentage to be known as the "employer contribution rate." The employer contribution rate applicable for any fiscal year is determined by resolution of the benefit board at a public meeting held at least four months prior to the beginning date of such fiscal year and filed with the Metropolitan Clerk and must be no less than the smaller of (1) three-tenths of one percent plus the employer contribution rate applicable to the prior fiscal year, or (2) an employer contribution rate, which shall be the ratio of the actuarially determined contribution level to the amount of the valuation payroll, on the basis of an actuarial valuation of the system made as of the last day of the fiscal year preceding the adoption of the contribution rate. The actuarially determined contribution level equals the sum of normal cost and a percentage of unfunded past service liabilities, such percentage to be determined by the board at a level at least equal to the actuarial valuation interest rate. The actuarial valuation must be made by a qualified or accredited actuary according to accepted and sound actuarial principles and methods and based on actuarial assumptions which have been recommended by the actuary and approved by the Benefit Board.

Historic Employer Contribution: The Metropolitan Government has historically made employer contributions at a rate higher than the minimum required contribution. The Metropolitan Government's policy has been to make annual contributions to the Active Plans equal to the actuary's recommended rate, sufficient to amortize the unfunded liability over the 40-year period commencing in 1978. Beginning with the plan year ended June 30, 2006, the Benefit Board adopted a level unfunded liability amortization period of 15 years. The level amortization period is designed to reduce contribution volatility compared with a continuing decline in the amortization period. The chart below shows the annual employer contribution rate (in both percentage of employee salary and aggregate dollar terms) for the past 10 years. The employer contribution rate for fiscal year 2012-2013 is

15.938%. The Metropolitan Government expects that its contribution rate for 2013-2014 will increase to 17.1%. This increase results from the combination of (1) the anticipated changes in actuarial assumptions described below (which in isolation would reduce the contribution rate) and (2) the increase in unfunded liability described below.

[Remainder of page intentionally left blank]

Historical Contributions of the Metropolitan Government Metro Active Plan

Fiscal Year Ending June 30	Contribution Rate	Contribution Amount
2013	15.938%	\$82,653,128
2012	15.416%	81,636,995
2011	15.416%	81,502,645
2010	13.012%	72,253,372
2009	13.012%	72,561,790
2008	16.658%	90,922,719
2007	16.637%	85,427,968
2006	13.857%	68,674,155
2005	12.171%	58,894,435
2004	9.265%	44,902,059

Key Actuarial Assumptions

- The actuarial assumptions for June 30, 2013 are discount rate of 7.50%, cost-of-living adjustments (COLA) of 2.50% for Division A and 1.50% for Division B, and annual salary increases average of 4.29%.

Schedule of Funding Progress

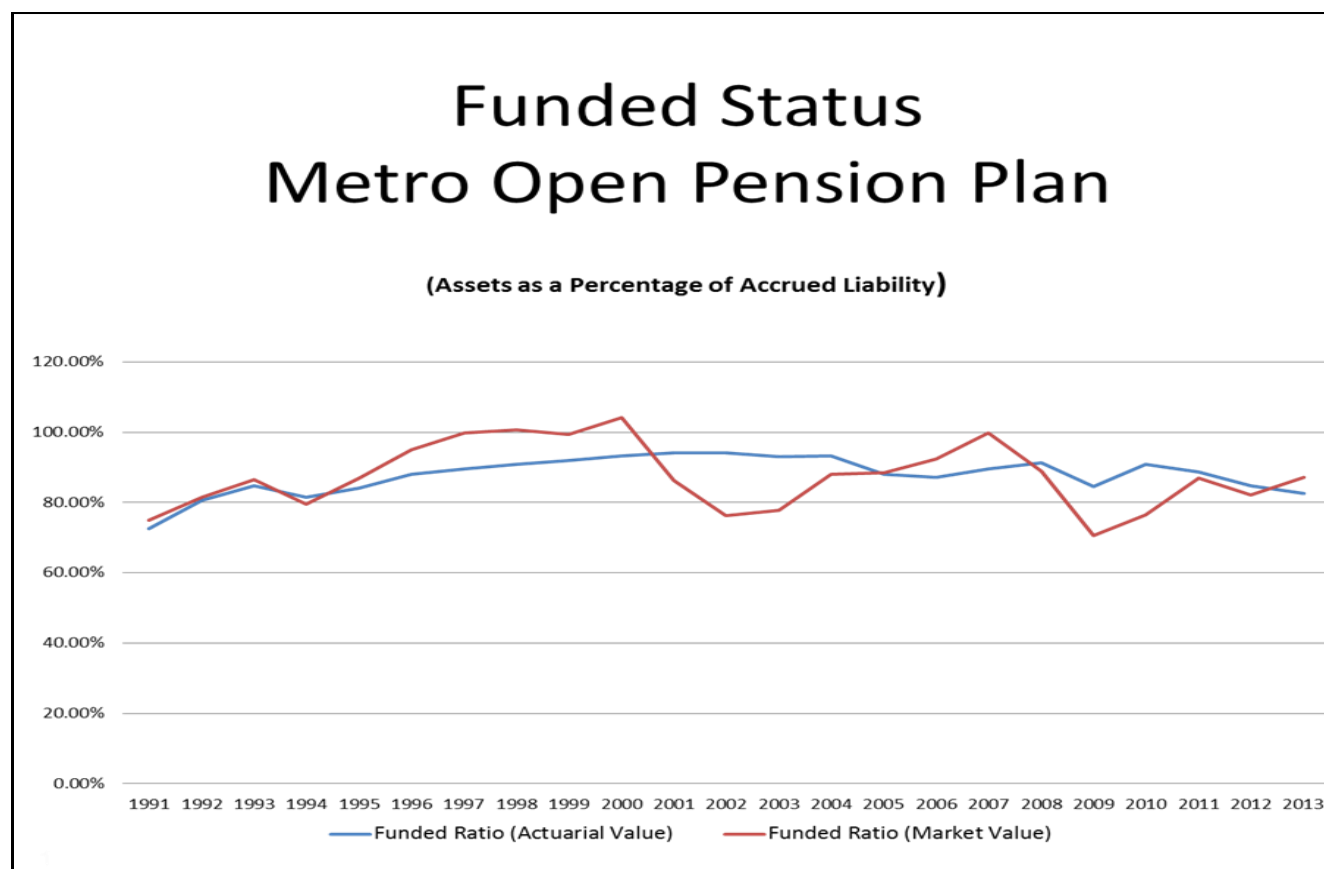
The table below provides a 10-year history of funding progress:

Metropolitan Government of Nashville and Davidson County Tennessee Pension Plan Schedule of Funding Progress

Plan Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a percent of Payroll
6/30/2004	1,592,671,213	1,708,318,774	115,647,561	93.20%	481,881,171	24.00%
6/30/2005	1,602,285,363	1,818,206,856	215,921,493	88.10%	474,531,741	45.50%
6/30/2006	1,706,677,125	1,959,952,204	253,275,079	87.10%	515,500,760	49.13%
6/30/2007	1,921,193,702	2,144,144,792	222,951,090	89.60%	529,100,484	42.14%
6/30/2008	2,119,228,659	2,323,837,472	204,608,813	91.20%	555,972,878	36.80%
6/30/2009	1,925,305,076	2,275,399,550	350,094,474	84.60%	562,015,408	62.29%
6/30/2010	2,143,522,150	2,360,892,310	217,370,160	90.80%	554,606,279	39.19%
6/30/2011	2,188,868,356	2,468,971,488	280,103,132	88.70%	571,381,362	49.02%
6/30/2012	2,185,046,912	2,580,685,072	395,638,160	82.70%	563,356,943	70.23%
6/30/2013	2,220,622,176	2,688,495,620	467,873,444	82.60%	556,220,289	84.12%

The Unfunded Actuarial Accrued Liability for the Active Plan of Metropolitan Government increased to approximately \$468 million as of June 30, 2013. This increase results from Active Plan investments underperforming versus actuarially assumed investment returns.

The graph below provides a historical comparison of the plans funded ratio based on actuarial and market values of assets as a percentage of accrued liability.



Source: *Bryan, Pendleton, Swats & McAllister, LLC*

Additional statistical information for the Active Plans can be found in the Metropolitan Government's CAFR, a link to which is included in this Official Statement.

Closed Plans – Guaranteed Payment Plan

The Metro Council created the Guaranteed Payment Plan effective July 1, 2000 to ensure actuarially sound funding for a group of five closed plans supervised by the Metro Benefit Board and the Board of Education. Under the Guaranteed Payment Plan, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years beginning with the effective date. Payments for each constituent plan are transferred to a payment account from which distributions are disbursed to the constituent plans as necessary to satisfy current benefit needs and funding objectives of the Guaranteed Payment Plan. Appropriations made by Metro and the Board of Education to fund obligations of the aggregate plan may not be reduced until all plan obligations are fully amortized. Plan improvements adopted subsequent to inception are to be funded over a period ending June 30, 2030.

The five plans included in the Guaranteed Payment Plan are:

Metropolitan Board of Education Teacher Retirement Plan
 Davidson County Board of Education Retirement Plan
 Nashville City Teachers Retirement Plan
 Former Davidson County Pension System
 Former City of Nashville Pension System

Current Funded Status

**The Metropolitan Government's Liability
 At June 30, 2013**

(Dollars in Thousands)

	Present Value of Future Benefits*	Present Value of Future Employee Contributions	Actuarial Value of Assets	Remaining Liability
Metro Teachers	\$209,335	\$0	\$65,563	\$143,772
County Teachers	32,507	0	0	32,507
City Teachers	15,576	0	0	15,576
City Employees	47,300	0	0	47,300
County Employees	10,053	0	0	10,053
Total	\$314,771	\$0	\$65,563	\$249,208

*Net of Sate cost-sharing in the three teacher plans

Based on current valuation the expected amortization period is approximately 11 years.

Historical Contributions

**Contributions
 Metro Closed Plans**

Fiscal Year Ending June 30	Metro Contributions	State Contributions
2014	\$33,512,358	\$17,593,670
2013	33,521,052	18,130,962
2012	33,520,844	18,769,087
2011	33,529,553	19,333,186
2010	33,519,574	19,643,816
2009	33,513,758	20,106,215
2008	33,507,435	20,635,657
2007	33,486,214	21,017,217
2006	33,474,046	21,260,495
2005	33,519,098	21,699,309

Additional statistical information for the Closed Plans can be found in the Metropolitan Government's CAFR, a link to which is included in this Official Statement.

The Metropolitan Government adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, in Fiscal Year 2008. This Statement addresses how governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits; it does not require that the liability be funded.

For June 30, 2012, amounts related to other post-employment benefits (“OPEB”) were (all amounts in thousands):

	Metro Plan	School Plan
Net OPEB Obligation	\$ 649,971	\$ 135,714
Actuarial Accrued Liability (AAL)	1,809,522	417,610
Unfunded AAL	1,809,522	417,610
Annual Required Contribution	176,073	37,985

The key assumptions used in developing these amounts include:

- Current level of benefits provided
- July 1, 2013 valuation date and census data
- Actual dependent coverage information
- 4.5% rate of return (net of administrative expenses)
- Health care cost trend rate: 8% graded to 5% for other medical expenses, 6.5% graded to 5% for prescription drugs, 4% for dental and vision expenses

Rate Setting Process

The Charter of the Metropolitan Government provides that the Metropolitan Mayor and the Metropolitan Council have the authority and are directed to establish the rates for water and sewerage services and to provide methods of changes in such rates. Acting in accordance with this authority, the Metropolitan Council adopted Ordinance BL 2009-407, which beginning May 1, 2009, implemented a three-year plan of increases for both water and wastewater rates. The water rate increases are 5%, each beginning on the following dates, May 1, 2009, May 1, 2010, and May 1, 2011, and the wastewater rate increases are 9%, 8%, and 7% on those same dates.

The Metropolitan Council also adopted Ordinance BL 2010-790 on December 7, 2010, imposing a 10% sewer surcharge in lieu of the surcharge which had previously been imposed to secure the payment of the TLDA Loans. Therefore, the sewer surcharge had not been included as part of Revenues, and such funds were not available to pay System operating expenses or System debt service (other than the TLDA Loans). Revenue from the surcharge is available for payment of System operating expenses and debt service.

Any change in the water and sewerage service rates established under the above ordinances must be adopted by the Metropolitan Council by ordinance. As stated in Section 3.05 of the Charter of the Metropolitan Government of Nashville and Davidson County: “No ordinance shall become effective unless it shall have passed by a majority vote on three (3) different days, on the final passage of which it shall have received a majority vote of all the members to which the council is entitled and until it shall have been signed by the Metropolitan County Mayor or become a law without his signature....”

An ordinance will become law without the signature of the Metropolitan Mayor if the Mayor fails to approve or disapprove the ordinance and does not return it to the Metropolitan Council at or prior to the next regular meeting of the Metropolitan Council occurring ten days or more after the ordinance is delivered to the Mayor. If the

Mayor vetoes the ordinance, it will become law if subsequently adopted by a two-thirds vote of all the members of the Metropolitan Council to which it is entitled.

Under the Charter of the Metropolitan Government, the Mayor is obligated to submit an operating budget to the Metropolitan Council no later than May 1st of each year. Before the beginning of each Fiscal Year, and in no event later than June 30th, the Metropolitan Council is obligated to adopt a budget, which must provide for all expenditures required by law or the Charter and for the payment of all debt service requirements for the ensuing year and a tax rate to fully fund the budget. If the Metropolitan Council fails to adopt a budget, the budget submitted by the Mayor becomes law and the Metropolitan Council must adopt a tax rate to fund that budget.

Monthly service charges for water and sewerage services are generally based, in each case, upon a rate schedule consisting of a minimum charge and a quantity charge. The minimum charges vary according to meter size and account class, i.e. residential, small commercial, intermediate commercial and large commercial/industrial. The quantity charge is dependent on account class.

Water revenues from the Department's customers include a fixed minimum charge per customer connection and a quantity charge per 100 cubic feet (cf) based upon the meter size and number of connections. The quantity charge is applied to all consumption in excess of 200 cf per month. The rates listed below were in effect as of May 1, 2011.

WATER AND SEWERAGE RATE SCHEDULE BY CUSTOMER CLASS

Monthly rates for water sold are based on meter measurement. Monthly sewerage service charges for the use of the public sanitary sewerage system are set by water consumption as determined by meter measurement. Minimum charges per month are based on size of meter and customer class.

CLASS DETERMINATION

<u>CLASS</u>	<u>ANTICIPATED OR HISTORICAL USAGE</u>
Residential	Up to two housing units on a common meter
Small Commercial and Industrial	Up to 1,600 cubic feet per month
Intermediate Commercial and Industrial	1,600 to 200,000 cubic feet per month
Large Commercial and Industrial	Over 200,000 cubic feet per month

[Remainder of page intentionally left blank]

WATER AND SEWER CHARGES AND RATES
Minimum Charges per Month (Including 200 Cubic Feet Usage)

On May 1, 2011, the following rates went into effect as a result of the passage of Ordinance BL2009-407:

Meter Size	WATER				SEWER			
	Residential	Small Commercial	Intermediate Commercial	Large Commercial	Residential	Small Commercial	Intermediate Commercial	Large Commercial
5/8"	\$ 3.13	\$ 3.98	\$ 13.85	\$ 597.23	\$ 7.62	\$ 8.51	\$ 27.89	\$ 1,076.37
3/4"	10.62	11.32	19.64	603.69	21.63	24.22	39.55	1,088.01
1"	12.77	13.63	21.51	605.80	26.05	29.17	43.33	1,091.79
1 1/2"	18.77	20.03	26.71	611.60	38.29	42.89	53.81	1,102.25
2"	25.29	26.97	32.63	618.22	51.57	57.75	65.73	1,114.18
3"	33.38	35.61	40.84	624.04	68.04	76.21	82.26	1,124.65
4"	54.41	58.03	64.65	650.65	110.88	124.18	130.22	1,172.65
6"	85.42	91.12	99.81	689.96	174.12	195.01	201.05	1,243.48
8"	133.59	142.50	155.38	755.41	272.29	304.96	312.96	1,361.43
10"	133.59	142.50	155.38	755.41	272.29	304.96	312.96	1,361.43
Water usage charges per 100 Cubic Feet (For usage over 200 Cubic Feet)				Sewer usage charges per 100 Cubic Feet (For usage over 200 Cubic Feet)				
Rates	\$ 2.33	\$ 2.48	\$ 2.14	\$ 1.81	\$ 4.74	\$ 5.30	\$ 4.32	\$ 3.26

Billing and Collection Procedures

With certain limited exceptions, the Department is required to charge for all water and sewerage services provided by it and consumed by, or, in the case of sewerage services, made available to each customer. Charges for water and sewerage services are generally based on metered measurement of water consumption. During Fiscal Year 2011, the Department read meters and rendered bills to customers monthly. The charges for water and sewerage services are included in a single, combined bill in terms of a "net billing," which is the charge calculated at established rates, and a "gross billing," which is the current net billing increased by 5% or by \$2.50, whichever is greater. This addition to the net billing is a form of penalty for the customer's failure to promptly pay the monthly bill for services. The gross billing amount becomes applicable 20 days after the billing is mailed to the customer. If a customer fails to pay a bill, a delinquency notice is included in the subsequent month's bill. If the customer fails to pay the bill for a second time, a representative of the department notifies the customer, pursuant to Tennessee Code Annotated § 65-32-104, that service will be discontinued if payment is not received in five days. If the customer does not pay the delinquent account within five days following the visit, the account is subject to immediate discontinuation of water and sewer service. To have service restored the customer must then pay the total delinquent amount plus a reconnection fee. If the Department is unable to collect the amount owed, the account is then turned over to a commercial collection agency.

The foregoing billing and collection procedures have resulted in the collection of approximately 98.38% of all amounts billed during the past five Fiscal Years. In Fiscal Years 2007, 2008, and 2010, arrears from "Wholesale Customers" were added to the bad debt expense, because these charges are in dispute at this time. In Fiscal Year 2010 and 2011, the unsettled arrears were deducted from revenue.

Wholesale Customers

The Department provides sewage treatment services for the Cities of Brentwood, Goodlettsville, Millersville, Belle Meade, Lavergne, Ridgeway, Mount Juliet, Hendersonville Utility District, and White House Utility District (the "Wholesale Sewer Customers"), pursuant to contracts between the Department and each of the Wholesale Sewer Customers. Older contracts with all of the Wholesale Sewer Customers except Belle Meade have been recently replaced, with the net effect of an increase in revenue from \$6 million to \$11 million. Under the wholesale contracts, the Department is obligated to treat sewage (subject to volume limitations) from the Wholesale Sewer Customers, and the Wholesale Sewer Customers are required to pay a volumetric rate for sewage delivered to

the Department. Capital costs incurred by the Department to maintain capacity for the Wholesale Sewer Customers are recoverable under the contracts. None of the Wholesale Sewer Customers has ready access to other sewage treatment facilities.

Wholesale Sewer Customer flows were approximately 11.5% of total treated flows for Fiscal Year 2014.

The following represents a summary of the effective dates and terms of the wholesale contracts:

CUSTOMER	EFFECTIVE DATE	AMENDMENT DATE	TERM OF CONTRACT
City of Belle Meade	October 1, 2014	NA	10 years
City of LaVergne	December 1, 2009	October 1, 2014	10 years
City of Millersville	February 16, 2010	October 1, 2014	10 years
City of Brentwood	November 19, 2009	October 1, 2014	10 years
City of Goodlettsville	September 27, 2010	October 1, 2014	10 years
Hendersonville Utility District	October 20, 2011	NA	20 years
City of Ridgeway	September 18, 2001	NA	30 years
City of Mount Juliet	June 22, 1999	NA	30 years

Operations and Maintenance

The Department has implemented operation and maintenance procedures with respect to the System and has undertaken several programs to upgrade performance, including a water quality testing program. Water quality within the water treatment facilities is tested on site on an hourly basis. Additional testing is conducted at a central laboratory maintained by the Department and certified by the State of Tennessee. Water discharged from the plants into the distribution system is monitored in accordance with the Federal Safe Drinking Water Act (42 U. S. C. 300f et seq.). Water discharged from the three wastewater treatment plants is tested to ensure compliance with the National Pollutant Discharge Elimination System as administered by the EPA and TDEC.

The Department performs regular maintenance and repair of equipment with outside contractors performing major repairs. To facilitate maintenance and repairs, the Department has established several inspection programs for the different areas of operation. Inspection programs include pumping station inspection, cross-connection protection testing, smoke testing for collection system integrity, water leak detection, fire hydrant testing and valve testing programs. Vans are equipped with closed circuit television cameras that can be maneuvered through the sewer mains to inspect the sewer system.

Comprehensive training programs have been developed for employees, from unskilled to supervisory and management positions, covering many aspects of the operation and maintenance of the Systems. Although participation in the programs is not mandatory, employees who wish to be promoted to a higher job classification must demonstrate that they have the knowledge and skills that such programs provide.

Environmental Regulation

The Federal Water Pollution Control Act of 1972 ("FWPCA"), as amended by the Clean Water Act of 1977, and the Water Quality Act of 1987 (collectively, the "CWA"), provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's waters. To achieve that end, the FWPCA established the National Pollution Discharge Elimination System ("NPDES"), a permit system administered by the US Environmental Protection Agency ("EPA") in conjunction with the states. The EPA has delegated the NPDES

program for Tennessee to the Tennessee Department of Environment and Conservation (“TDEC”). The Tennessee General Assembly enacted the Tennessee Water Quality Control Act of 1977 to obtain the primary objectives of the CWA and to qualify for full participation in the NPDES program established under Section 402 of the FWPCA. Pursuant to the authority granted to it, the Tennessee Water Quality Control Board has enacted regulations consistent with the CWA.

In 1990, TDEC issued Order 88-3364 (the “1990 Order”) as a result of violations by the Metropolitan government of the Tennessee CWA from January 1987 through June 1989. The 1990 Order was, among other things, a result of the discharge of improperly treated wastewater into the waterways by the Metropolitan Government’s collection system and various wastewater treatment plants, leading to pollution in violation of the CWA. The 1990 Order also stated that the Metropolitan Government’s failure to comply with certain agreed upon orders entered by the Tennessee Water Quality Control Board in 1985 and 1987 was also a basis for the 1990 Order.

The 1990 Order identified specific problems regarding the Metropolitan Government’s collection system and wastewater treatment, and required the Metropolitan Government to correct them. In response, the Department developed a detailed program, referred to as the “Overflow Abatement Program” (“OAP”), for making system improvements to correct the problems identified in the 1990 Order. This program was approved by the TDEC. Although the Department substantially complied with the 1990 Order, it was not in full compliance with the CWA as of 1999.

On September 17, 1999, the TDEC issued Order 99-0390 (the “1999 Order”) replacing the 1990 Order and citing the Metropolitan Government in violation of state law. Effective July 1, 2001, the Metropolitan Government was to immediately not permit or allow any overflows of bypasses from its combined sewer system (wastewater and storm water) during dry weather to any waters of the State, nor was it to allow any discharge from the sanitary sewerage system to any tributary of the Cumberland River. The current flow limits that the tie-in points from all contributing satellite sewage systems were to be maintained.

The Metropolitan Government has substantially addressed the issues raised in the 1999 Order and continues to make capital improvements to its Sewer System in response thereto. TDEC has not assessed monetary penalties against the Metropolitan Government for failing to meet a schedule compliance date, and the Metropolitan Government is currently in compliance with the requirement of the 1999 Order.

EPA Consent Decree

In December 2005, the Department received an inquiry from the U.S. Environmental Protection Agency’s Region IV (USEPA) headquarters. This inquiry requested certain documents and records pertaining to the Department’s Operations, Capital Plan, and Stormwater Management. The Department’s response was submitted in January 2006. The Department, the State of Tennessee Department of Environment and Conservation (TDEC), and USEPA agreed on a recommended consent decree to address and correct deficiencies within the Department’s sewer system that have caused violations of the Clean Water Act (CWA). The consent decree originally required that MWS fully develop, by March 12, 2011, a Corrective Action Plan/Engineering Report (CAP/ER) for its sanitary sewer system and a Long Term Control Plan (LTCP) for its combined sewer system to achieve the goals of the CWA. Upon submittal and approval of the plans, MWS was originally obligated to complete the work as developed by the plans in 9 years.

On May 14, 2010, The Metropolitan Government petitioned the USEPA and TDEC for a 6 month time extension for the delivery of both plans and the 2 years for the final compliance with the Consent Decree based on the flood of May 2010. The USEPA and TDEC granted the requested time extension to the Department. Both the CAP/ER and LTCP were submitted on time based on the time extension to EPA and TDEC on September of 2011. No formal approval has been returned to MWS by either regulatory agency at this point. There have been some discussions of potential changes with respect to the LTCP but not anything that would be considered drastic or material to what was submitted. The deadline for final compliance of the Consent Decree is eleven years after final formal approval of the two plans.

Among other requirements, the Consent Decree will require capital expenditures to the System in a total amount between \$1.0 billion and \$1.5 billion. See “The Water and Sewer Capital Improvement Plan,” which follow. Failure to comply with the Consent Decree and meet future established deadlines could result in penalties up to \$3,000 per incident, and up to \$5,000 per day for failure to implement work in a timely manner.

The Department has thus far been successful in meeting all the deadlines established by the Consent Decree, and is currently in compliance with the Decree in all respects.

Payments in Lieu of Taxes, the Local Cost Allocation Plan, and Shared Government Services

Tennessee law, Tennessee Code Annotated 7-34-115(a)(9), provides that a municipality may require a municipally owned utility to make payments in lieu of ad valorem property taxes, for which the utility is exempt as a governmental entity, in an amount not to exceed the taxes payable on privately owned property of a similar nature. This payment is intended to help reimburse the municipality for the municipal services and support provided to the public works. In 1996, the Metropolitan Council adopted Substitute Resolution Number R96-177, which requires the Department to make an annual payment to the Metropolitan Government of \$4,000,000. This represents a payment in lieu of ad valorem taxes. This payment, made in monthly installments, is made after payments of debt service on the Prior Bonds and the Series 2010 Bonds.

The Local Cost Allocation Plan (LOCAP) for the Metropolitan Government is a method by which central service costs are distributed across the Metro departments. In Fiscal Years 2013 and 2014, the Department was charged \$4,924,100 and \$5,150,700 respectively. In Fiscal Year 2015 this plan will cost the Department \$4,909,100. The Metropolitan Government charges the Department for additional Shared Government Services such as Fleet Management, Information Systems, Legal Fees, Insurance, and Property Services. These charges totaled \$6.4 million in Fiscal Year 2014, and in Fiscal Year 2015 Shared Government Services charges will be approximately the same.

Payments in Lieu of Taxes, the Local Cost Allocation Plan payments, as well as all Shared Services charges have been included in the historical and forecasted Expenses of the Department in the Forecast Statement.

The Water and Sewer System Capital Improvement Plan

The Water System

Beginning in 2002, the Metropolitan Government updated its Master Water Improvement Plan which sets out projected water needs due to growth for the service area through the year 2025. Population forecasting and computer modeling of the water distribution system has been done to update the Master Water Improvement Plan through the year 2030. There was an update in 2008 and another scheduled for 2015.

Improvements to the water distribution system have been identified to supply the increased water demand due to population growth as well as during times of heavy demand (i.e. drought conditions). Specific projects for this year include the Old Hickory Water Transmission Main project and the Swiss / Kinhawk Water Tanks Feed Reconfiguration project, and the Ocala Tank. The Old Hickory Water Line project includes the construction of 13,000 feet of 16 to 24 inch water main and a new water pumping station at a projected cost of \$5M. This project will allow the former Old Hickory Utility District to be served from existing Metro Water Services infrastructure and the abandonment of the Old Hickory Utility District water treatment plant. The Swiss / Kinhawk Water Tanks Feed Reconfiguration project includes the construction of 3,900 feet of 16 inch water main. This project will reduce water age and improve pumping efficiency for the pressure zone at a cost of \$1.5M. The Ocala tank will provide 4 million gallons of storage in the Powell Avenue system.

The Water Infrastructure Rehabilitation (WIR) program provides for the rehabilitation and / or replacement of old water distribution infrastructure. The 12 South Phase 1 WIR project will include installation of 13,000 feet of 8 inch water main at a cost of \$2.5M. The existing water mains are constructed of old unlined cast iron and galvanized pipe. The Elliston Place / Church Street WIR project will replace 3,000 feet of old unlined cast iron pipe with new 12 inch lined ductile iron pipe at a cost of \$1.5M. The completion of these projects will improve fire flows in the area and improve the delivery of water in the distribution system.

(b) The Sewer System

With the submittal of the completed CAP/ER & the LTCP studies to EPA and TDEC in September 2011, we now have a full picture of the magnitude of the Separated Sewer and Combined Sewer program projects. A

schedule was developed to pursue those projects to meet the compliance date of the Consent Decree, currently at 11 years following the approval of the submitted plans by EPA & TDEC. Metro Water Services continues to meet with EPA and TDEC, responding to their questions and concerns. The approvals of the CAP/ER and LTCP have not yet been received, and the Consent Decree provides for additional time for completion if the approvals are not made in a timely manner, so we have benefitted from the delay in approvals by gaining additional time to complete the required projects. Projects include improvements to pumping stations and force mains, construction of additional equalization basins, new trunk sewers to increase capacity and the rehabilitation of the collection system to reduce inflow and infiltration during wet weather, and the overall Consent Decree program is anticipated to cost \$1B - \$1.5B.

Facility work underway for the correction of overflows in the separated sewer system includes the West Park Equalization Facility, Phases 2 & 3. The design of this project was initiated in late Spring 2012 and completed in 2014. Bids for the construction of this will be taken in early 2015; when completed, the project will provide 21 MG of additional wet weather system equalization storage to augment the existing 10MG of storage at this site. The estimated construction cost for this work is approximately \$18.5M. The construction of the Mill Creek – Opryland Equalization Facility – Phase 2 began in early 2014. This project adds 19 MG of wet weather system equalization storage to the existing 15 MG of storage at this location, at a bid cost of approximately \$10.5M.

Sewer System Rehabilitation continues for the elimination of Inflow and Infiltration from the separated sanitary sewer system. New design starts in 2014 included a Phase 3 Project in the Shelby Park area, a Phase 3 Project in the Cowan – Riverside area, and a 2014 Annual Rehabilitation project for correction of defects along the Whites Creek Trunk Sewer. Construction began in early 2014 for the rehabilitation of the sanitary sewers in the Lakewood area, combined with improvements to the water distribution system and storm water system improvements, at an overall bid of \$10.3M. The sewer work represents approximately \$3.7M of the overall bid cost. Design services for a number of rehabilitation and conveyance projects identified in the CAP/ER were completed in 2014, including the Neely’s Bend Rehabilitation project at a bid price of \$2.5M and 2 Phases of work in the Shelby Park area at a total bid cost of \$10.4M. Construction also began in 2014 on 2 Phases of work in the Cowan – Riverside area, at a bid cost of \$8.6M. Construction of a rehabilitation project in the Highway 100 & Tyne area was begun in 2014 at a bid price of \$3.5M. Construction is anticipated to be completed on each of these projects in 2015. Construction also began in 2014 on the 2013 Annual Rehabilitation Project, correcting structural defects across the MWS service area at a bid cost of \$4.1M.

The Dodson Chapel Pipe project design was completed in 2014; construction will begin in 2015 at a bid price of \$3.2M. This replacement trunk sewer will increase capacity to the recently updated Dodson Chapel Pump Station and Equalization Facility. In addition, the design of an Annual Rehabilitation project to address site specific wet weather issues in areas not included in the CAP/ER projects was also begun.

The following table depicts the proposed spending for capital improvements to be undertaken by the Department during the Fiscal Years Ending June 30, 2015 through 2019. Capital projects during the forecast period will be funded from the revenues of the Department, proceeds from Commercial Paper, issuance of new revenue bonds, or a combination of these. The plan as shown assumes additional funding will be available from: an increase in water and sewer rates thus increasing the amount of operating revenues available to the Department and/or issuance of new revenue bonds, with the resultant change to debt service requirements.

[Remainder of page intentionally left blank]

Water and Sewer Capital Improvement Plan

	2015	2016	2017	2018	2019	TOTAL
Consent Decree Program						
Program Management and Water Quality	12,500,000	16,100,000	18,300,000	20,500,000	20,700,000	88,100,000
Combined Sewer Improvements	49,500,000	77,500,000	61,500,000	114,500,000	226,500,000	529,500,000
Sanitary Sewer Rehabilitation	13,000,000	25,600,000	120,000,000	30,500,000	17,000,000	206,100,000
Total Consent Decree Program	\$ 75,000,000	\$ 119,200,000	\$ 199,800,000	\$ 165,500,000	\$ 264,200,000	\$ 823,700,000
Other:						-
Water Distribution System Improvements	33,288,000	19,928,000	29,957,920	26,840,837	28,924,830	138,939,587
Water Pump Station Improvements	12,185,400	2,041,400	2,120,000	2,277,000	2,283,000	20,906,800
Water Plant Improvements	29,845,000	7,420,000	10,545,000	15,946,000	9,246,000	73,002,000
Water Reservoir Improvements	11,530,000	7,730,000	2,475,000	2,376,000	2,376,000	26,487,000
Development Assistance	20,355,000	7,405,000	7,330,000	7,171,000	7,181,000	49,442,000
Customer Services / Information Services	13,485,000	1,205,000	4,455,000	3,945,000	4,896,000	27,986,000
Vehicles and Equipment	13,520,000	3,520,000	3,520,000	3,521,000	3,521,000	27,602,000
Wastewater Collection System Improvements	13,882,000	2,342,000	2,395,280	2,450,891	2,356,887	23,427,058
Wastewater Plant Improvements	33,140,000	24,415,000	20,270,000	20,076,000	21,986,000	119,887,000
Wastewater Pump Station Improvements	11,463,600	1,367,600	1,420,000	1,525,000	1,529,000	17,305,200
Other	4,000,000	4,000,000	3,900,000	3,700,000	3,700,000	19,300,000
Total Other Capital Projects	\$ 196,694,000	\$ 81,374,000	\$ 88,388,200	\$ 89,828,728	\$ 87,999,717	\$ 544,284,645
TOTAL	\$ 271,694,000	\$ 200,574,000	\$ 288,188,200	\$ 255,328,728	\$ 352,199,717	1,367,984,645
Sources of Funds						
Extension and Replacement Fund	10,609,000	10,927,300	11,255,100	11,592,700	11,943,200	56,327,300
Existing Bond Fund	-	-	-	-	-	-
Proposed Revenue Bond Proceeds	-	-	225,000,000	-	225,000,000	450,000,000
Commercial Paper Program	259,085,000	140,000,000	5,500,000	110,000,000	44,500,000	559,085,000
Water Impact Fees	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Sewer Impact Fees	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Others (Grants, Reserves, etc)	-	47,646,700	44,433,100	131,736,028	68,756,517	292,572,345
TOTAL	\$ 271,694,000	\$ 200,574,000	\$ 288,188,200	\$ 255,328,728	\$ 352,199,717	\$ 1,367,984,645

APPENDIX C

DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT

DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT

Introduction

The Metropolitan Government of Nashville and Davidson County (the “Metropolitan Government”), as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

Fiscal Year

The Metropolitan Government operates on a fiscal year, which commences July 1 and ends June 30.

Population Growth

The following table sets forth information concerning population growth in the Metropolitan Government. A comparison with the Nashville Metropolitan Statistical Area ("MSA"), the State and the United States serves to illustrate relative growth.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY DEMOGRAPHIC STATISTICS - POPULATION GROWTH

Area	2000	2010	Change 2000 – 2010	2013
Nashville/Davidson	569,891	626,681	10.0%	658,602
MSA	1,311,789	1,670,890	7.4%	1,757,912
State	5,689,283	6,346,105	11.5%	6,495,978
United States	281,421,906	308,745,538	9.7%	316,128,839

Census Bureau (census.gov)

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

Per Capita Personal Income

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Davidson County	42,262	41,927	44,031	44,372	46,108	45,928	46,826	48,504	50,440	51,245
Nashville MSA	35,959	36,564	38,271	39,017	40,238	39,369	40,571	42,494	45,207	45,759
Tennessee	30,933	31,736	33,125	34,181	35,080	34,439	35,426	37,151	39,002	39,558
United States	34,300	35,888	38,127	39,804	40,873	39,379	40,144	42,332	44,200	44,765

Source – Bureau of Economic Analysis (bea.gov)

Note: Last updated November 20, 2014. New estimates for 2013; revised estimates for 2004-2012. Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2013 reflect county population estimates available as of March 2014. All dollar estimates are in current dollars (not adjusted for inflation).

Economy of the Metropolitan Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, health care, music, tourism, manufacturing and distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

[Remainder of Page Intentionally Left Blank]

Employment

The following table shows the labor force segments of the eight-county Nashville Metropolitan Statistical Area for calendar years 2004 through 2013.

NASHVILLE MSA EMPLOYMENT BY INDUSTRY ⁽¹⁾

Industry	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education & Health Services	98.4	101.4	104.4	108.1	112	114.9	118.5	121.5	125	127.2
Financial Activities	44.5	45.2	45.7	46.2	45.9	45	46.2	47.4	48.3	50.9
Government	95.9	96.9	98.6	99.9	103.1	104.6	106	105.1	104.4	103.5
Information	19.4	19.7	19.3	19.8	21.1	20	19.3	19.3	20.2	20.4
Leisure & Hospitality	72	74.6	77.6	80.7	79.5	76.5	76.9	79	83.7	88
Manufacturing	83.6	84.5	84.1	79.3	73.4	62.4	60.4	62.7	67.3	71.1
Professional & Business Services	91.5	96.7	98.9	101.9	100.6	93	98.6	106.6	114.5	121.5
Trade, Transportation, Utilities	146	150.7	153.7	154.6	154.6	147.7	147.8	152.4	158.6	160.3
Total Non-Agriculture Employment	715.3	735.4	751.8	762.5	760.6	726	734.3	756.7	786.2	808.3
Other	64	65.7	69.5	72	70.4	61.9	60.6	62.7	64.2	65.4

Source – Bureau of Labor Statics (bls.gov)

(1) Employment numbers in thousands

PERCENTAGE OF PERSONS EMPLOYED BY INDUSTRY: MSA, STATE, AND NATION

	<u>Nashville MSA</u>					<u>Tennessee</u>					<u>United States</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total All Industries ⁽¹⁾	808	786	752	734	726	2,750	2,714	2,656	2,615	2,620	136,368	134,104	131,842	130,275	131,233
In Percentages:															
Education & Health Services	15.74%	15.90%	16.10%	16.14%	15.83%	14.42%	14.42%	14.42%	14.30%	13.97%	15.47%	15.43%	15.34%	15.27%	14.09%
Financial Activities	6.30%	6.14%	6.24%	6.29%	6.20%	5.00%	5.07%	5.10%	5.24%	5.37%	5.78%	5.80%	5.84%	5.91%	5.97%
Government	12.80%	13.28%	13.89%	14.44%	14.41%	15.27%	15.61%	16.07%	16.55%	16.36%	16.03%	16.35%	16.75%	17.26%	17.19%
Information	2.52%	2.57%	2.55%	2.63%	2.75%	1.60%	1.58%	1.65%	1.72%	1.79%	1.97%	2.00%	2.03%	2.08%	2.14%
Leisure & Hospitality	10.89%	10.65%	10.44%	10.47%	10.54%	10.43%	10.21%	10.05%	10.02%	10.06%	10.44%	10.27%	10.13%	10.02%	9.96%
Manufacturing	8.80%	8.56%	8.29%	8.23%	8.60%	11.59%	11.55%	11.44%	11.43%	11.80%	8.80%	8.89%	8.89%	8.85%	9.03%
Professional & Business Services	15.03%	14.56%	14.09%	13.43%	12.81%	12.76%	12.40%	12.13%	11.63%	11.22%	13.61%	13.37%	13.15%	12.84%	12.63%
Trade, Transportation Utilities	19.83%	20.17%	20.14%	20.13%	20.34%	21.18%	21.18%	21.17%	21.23%	21.36%	18.97%	19.00%	19.01%	18.91%	18.98%
Other	8.09%	8.17%	8.29%	8.25%	8.53%	7.76%	7.97%	7.92%	7.89%	8.09%	8.92%	8.89%	8.86%	8.87%	9.20%

(1)Total Nonfarm Employment in thousands

Source: Bureau of Labor Statistics (bls.gov)

[Remainder of Page Intentionally Left Blank]

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Unaudited - See Accompanying Accountants' Report

Employer	June 30, 2014				June 30, 2005			
	Employees	Rank	% of Total Employment		Employees	Rank	% of Total Employment	
Vanderbilt University and Medical Center	23,021	1	2.90	%	17,158	3	2.33	%
Metro Nashville-Davidson Co. Government and Public Schools	18,508	2	2.33		19,188	2	2.61	
State of Tennessee	18,200	3	2.30		20,029	1	2.72	
U.S. Government	12,177	4	1.54		11,146	4	1.51	
Nissan North America Inc.	8,500	5	1.07		8,100	6	1.10	
HCA (including Tri-Star Health System)(1)	7,000	6	0.88		9,657	5	1.31	
St. Thomas Health Services	6,500	7	0.82		6,300	6	0.86	
Randstad	3,400	8	0.43		-		-	
Shoney's Inc.	3,000	9	0.38		-		-	
The Kroger Company	2,863	10	0.36		2,649	10	0.36	
Bridgestone America Holdings	-	-	-	(2)	4,900	8	0.67	(2)
Gaylord Entertainment Co. (1)	-	-	-	(2)	4,519	9	0.61	(2)
	<u>103,169</u>		<u>13.01</u>	%	<u>103,646</u>		<u>14.08</u>	%

Sources:

Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal

Total Employment - TN Department of Labor & Workforce Development

'Note: The schedule reflects employers and number of employees within the Metropolitan Statistical Area

(1)National, State or Corporate Headquarters.

(2)Values for employers that are outside the top ten ranking are excluded.

[Remainder of Page Intentionally Left Blank]

Business Investment and Job Creation

In 2014, the Nashville Area Chamber of Commerce announced some 121 business relocations or expansions into the Nashville MSA, collectively bringing 19,525 new jobs and \$2.5 billion in capital investment. Continued expansion has occurred in recent years in corporate and regional headquarters, information processing operations, the automotive industry, health care management and many areas where the local economy has established strength and growth potential.

Over the past several years, many sizable headquarters, shared service operations, and manufacturing operations have relocated and/or expanded in Nashville. Bridgestone Americas announced that they will be moving their Corporate Headquarters to downtown Nashville creating 600 new jobs and the retention of 1,100 jobs. Warby Parker also announced they were opening their second corporate office in downtown Nashville creating 250 new jobs. Amazon announced the creation of 100 jobs near the Airport. Rural Media group announced the creation of 100 jobs and a move to Music Row in the core of Nashville. Another corporate headquarters, AIG, announced the creation of 200 new jobs and a move to Seven Springs located in Davidson County. Healthstream added 200 jobs in Nashville. Another Healthcare leader, National Healthcare Corporation, announced the addition of 200 jobs in Bellevue. The 2014 successes continue from last year when UBS established a shared services center in downtown Nashville, adding 1,000 new jobs. Asurion, which provides enhanced services to the wireless telecommunications industry, expanded its headquarter operations in 2013, adding 800 jobs to Nashville's employment base. Aramark, a global leader in delivering food, facility and uniform services for businesses, schools/universities, hospitals, and stadiums, relocated its new Business Services Center adding 1,500 new jobs. naviHealth, a Nashville-based startup in the health care industry, has expanded and added 175 new jobs. Total Quality Logistics, a truck brokerage service, added 105 new jobs to Davidson County. Inside Track, which works with colleges and universities to improve student and institutional success, opened a Coaching Center in downtown Nashville adding 250 new jobs in 2013. AmSurg, who is a national leader in the development, management and operation of outpatient surgery centers, expanded its headquarter operations adding 50 new jobs to Nashville. Service Source expanded its downtown operations once again in 2013 adding 300 jobs in Nashville. Sony/ATV expanded adding 60 new jobs in 2013. TransCore, a global provider of toll and traffic management services, moved its corporate headquarters to downtown Nashville, adding 60 new jobs. Tyson Food Inc. expanded its meat-processing plant in Goodlettsville, adding 100 new jobs.

Unemployment Rates

The following table sets forth the unemployment percentage rates in Davidson County, the MSA, the State and the United States for the calendar years 2005-2014.

	2005	2006	2007	2008	2009	2010*	2011*	2012*	2013*	2014*
Davidson County	4.5	4.2	3.8	5.4	8.9	8.8	8.0	6.5	6.2	5.3
Nashville MSA	4.6	4.3	4.1	5.8	9.5	8.8	8.0	6.5	6.2	5.3
Tennessee	5.6	5.2	4.7	6.6	10.5	9.7	9.0	7.8	7.8	6.7
United States	5.1	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2

Source: Bureau of Labor Statistics (bls.gov) as of March 31, 2015.

*Data are provisional, subject to revision on April 21, 2015.

Manufacturing

As of December 2013, an average of 71,100 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Nashville MSA's largest manufacturing employers include Nissan North America, Bridgestone Americas, Electrolux Home Products, A.O. Smith Water Products and Vought Aircraft Industries.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with consumer spending by Nashville MSA residents exceeding \$32.0 billion. Nashville is one of the top 50 retail markets in the country. In the Nashville region, there are 245 shopping centers with 37.3 million square feet of gross leasable area. Nine of these centers are super-regional and 15 are regional.

Agriculture

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. Additionally, the area surrounding Nashville is the home of the Tennessee Walking Horse.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Customs Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

A commuter rail service from Lebanon, Tennessee to Nashville, approximately 32 miles, known as the Music City Star commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes Metropolitan Transportation Authority ("MTA") bus service on circulator routes in the downtown area.

In 1973, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. MTA provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates bus service in the downtown area for shoppers, tourists and downtown workers. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the system. The Metropolitan Government and the State of Tennessee contributed in the fiscal year ending June 30, 2014, approximately \$33,370,000 and \$4,585,000 respectively, to pay approximately 57.6% of the Authority's operating expenses. The State directs revenues from a two cent per gallon gasoline tax, which it

imposes on local governments that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Nashville International Airport (the "Airport") is situated approximately eight miles from downtown Nashville.

Airport Facts:

- 1 million+-square-foot terminal
- 44 gates and 15 commuter aircraft parking positions
- Up to 78 commuter aircraft parking positions on 4,500 acres
- Four runways
- Ranked eighth in the nation by Travel and Leisure for America's Best Airports in 2013
- 12 airlines served more than 11 million passengers in 2014.....34th busiest airport in U.S.
- \$1.18 billion in wages and more than 39,700 jobs annually
- Serving 70 markets; 50 nonstop
- 380 daily flights

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

Construction

Construction in Nashville is illustrated by the table on the following page describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government.

Of the nine major areas of office development in Nashville, the Central Business District ("CBD") is by far the largest, with approximately 12.4 million square feet of leasable space. The CBD achieved positive absorption of 94,000 square feet in 2014. Office vacancy in the CBD at the end of 2014 was 11% with another 442,000 square feet under construction. There continues to be renewed interest in Downtown and in the new Music City Center, which could spark new interest in office space downtown. Five other important office submarkets in Davidson County- Green Hills, West End, MetroCenter, Airport North and Rivergate have vacancy rates at 10% or lower, reflecting the overall vitality of the city and improvement over 2013. Leasing activity remains steady and growing in many Nashville office submarkets, which is a positive sign of economic recovery in Nashville. There is continued national interest in Nashville, and Tennessee's attractiveness has been evident with new relocations, renewals and expansions.

**NUMBER AND VALUE OF BUILDING PERMITS IN
THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations, and Installations		Other (1)		Totals	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Permit Value
2000	2,421	\$444,626,418	1,010	\$386,428,784	4,673	\$479,932,778	1,272	\$11,960,044	9,376	\$1,322,948,024
2001	2,975	521,311,880	896	354,527,042	4,146	336,595,779	1,179	14,962,413	9,196	1,227,397,114
2002	2,846	476,572,494	851	173,707,294	4,302	405,697,860	1,433	20,029,867	9,432	1,076,007,515
2003	3,207	536,278,115	693	279,867,295	4,531	356,979,647	1,222	20,013,372	9,653	1,193,138,429
2004	3,708	655,382,120	849	398,788,311	4,023	351,762,279	1,291	23,195,687	9,871	1,429,128,397
2005	3,794	747,525,151	865	428,627,829	4,431	462,950,966	1,434	24,073,860	10,524	1,663,177,806
2006	3,801	758,964,847	620	503,077,069	5,094	553,177,902	1,422	15,722,367	10,937	1,830,942,185
2007	5,965	851,544,710	1,453	619,951,806	2,754	267,721,486	1,469	17,293,882	11,641	1,756,511,884
2008	4,361	412,842,242	489	408,945,106	3,597	460,743,268	858	21,723,839	9,305	1,304,254,455
2009	3,149	318,357,857	495	375,074,904	1,913	205,828,855	1,730	14,464,364	7,287	913,725,980
2010	2,067	294,470,986	528	647,479,914	6,722	424,461,986	1,663	15,189,625	10,980	1,381,602,481
2011	2,166	372,440,931	444	382,483,854	3,163	377,053,306	1,840	18,738,180	7,613	1,150,716,271
2012	2,656	526,206,509	735	621,590,087	4850	431,579,639	2047	34,340,897	10288	1,613,717,132
2013	3,406	737,396,336	762	493,330,146	3,405	455,745,450	2,135	23,344,644	9,708	1,709,816,576
2014	4,446	1,107,507,454	679	689,688,781	3,161	383,558,088	2,430	22,824,369	10,716	2,203,578,692

(1) Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and signs & billboard permits

Metropolitan Government Department of Code Administration

Medical and Cultural Facilities

Nashville is one of the nation's leaders in the healthcare field. HCA Healthcare has its headquarters and operates several hospitals in the surrounding area. Baptist Hospital, Vanderbilt University Medical Center, and St. Thomas Hospital are the city's other primary hospitals.

The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to the Metropolitan Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

The Nashville Public Library system includes a 300,000 square foot downtown main library and 20 community branches located across the county. In addition, an extensive online offering of books and resources has extended its reach beyond the traditional branch system. The library facilities host numerous in-house programs and community events throughout the year.

The Tennessee Performing Arts Center is the first state-funded facility of its kind in the nation and is home to the Nashville Ballet, the Nashville Opera Association, and the Tennessee Repertory Theatre. The arts center occupies an entire city block, and its venues include Andrew Jackson Hall (2,472 seats), the James Polk Theater (1,075 seats), the Andrew Jackson Theater (256 seats), and the War Memorial Auditorium (1,661 seats). The center plays host to numerous events each year, including an annual series of Broadway plays.

The Frist Center for the Visual Arts occupies the former Nashville's historic downtown former post office building. A public-private partnership between the Metropolitan Government, the Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Frist Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions. The Frist Center does not house a permanent art collection but instead places special emphasis on education, arts-related programs for the school children of Nashville, and community outreach. The Center has given Nashville the ability to host significant art shows.

The Parthenon, located in Nashville's Centennial Park, is a full-scale replica of the original building in Athens, Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building features a 41' tall gilded statue of Athena. Close ties have been established between Nashville and Athens, Greece to market and promote the two complimentary buildings.

The Nashville Children's Theater is home to the oldest professional theater for children in the county. Thousands of school age children and adults are treated to a variety of productions each year. The 2014-2015 season will be the 83rd year for the theater.

Cheekwood Botanical Garden and Art Museum is a fifty-five acre site that includes the original Cheek gardens, with pools, fountains, statuary, extensive boxwood plantings and breathtaking views of the rolling Tennessee hills. The Museum of Art is housed in a 30,000-square foot Georgian-style mansion, and contains world-class collections of American and contemporary painting and sculpture, English and American decorative arts and traveling exhibitions. Collections also include silver, and the most comprehensive collection of Worcester porcelain in America.

Vanderbilt University's Fine Arts Gallery showcases six exhibitions each year that represent Eastern and Western art and an international collection of works. The Van Vechten Gallery at Fisk University houses more than 100 pieces from artists like Picasso, Renoir, and O'Keeffe. For religious art, there's a wooden 8-foot-by-17-foot carving of "The Last Supper" based on Leonardo da Vinci's masterpiece at The Upper Room Chapel along with a striking 9,000-mosaic stained glass World Christian Fellowship Window. The museum at the Upper Room also has outstanding religious works, besides two annual displays of nearly 70 Ukrainian Easter eggs in April and more than 100 Nativity scenes in December.

Tourism

Tourism is a major industry in Nashville consistently ranking in the top 3 producers. The Convention and Visitors Corporation (“CVC”) and U. S. Travel Data Center estimate more than 13.1 million tourists came to Nashville in 2014 and spent approximately \$4.9 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors. Recently the city has become known as a destination for great food and culinary creativity. Excellent air service combined with geographic location and a superior highway system contribute to the city’s success.

Nashville’s new Music City Center opened in May 2013 and features a 350,000 square foot exhibit hall, 75,000 square feet of ballroom space (consisting of a 57,000 square foot grand ballroom and an 18,000 square foot junior ballroom), 90,000 square feet of meeting rooms, 31 loading docks and a parking garage with 1,800 spaces. MCC management and the CVC exceeded their goal of over 1 million room nights booked prior to opening of the center. MCC has generated \$243 million in direct economic impact in the first full year of operation.

A new \$275 million full-service OMNI headquarters hotel opened in September 2013 next to the Music City Center. The 800 room OMNI Hotel features 4 restaurants, 2 ballrooms, 64,000 square feet of meeting space, a pool and spa fitness center. A feature unique to Nashville is the hotel’s physical connection to the adjacent Country Music Hall of Fame and Museum. OMNI, through an agreement with the museum and the Metropolitan Government, built an addition to the attraction almost doubling exhibit space and adding an 800 seat performance theater. The shared space provides access to the museum directly from the hotel and a 765 underground parking garage provides onsite parking.

The Music City Center and OMNI hotel are located downtown in the Metropolitan Government's Central Business District and are within walking distance of many notable attractions, including the Bridgestone Arena, the Ryman Auditorium, Frist Center for the Visual Arts, Schermerhorn Symphony Center, Musicians Hall of Fame and Museum and the Johnny Cash Museum.

Each year for the past 43 years, the Country Music Association has coordinated a music festival known as CMA Music Festival. The event includes performances by more than 100 entertainers and groups, autograph sessions and activities directed at the attendees. In 2001, the music festival moved to downtown Nashville and attendance has steadily increased, with 80,000 attendees in 2014. The last four years ABC has broadcast a 2 hour show of highlights with Nashville featured as much as the music.

In 2013, ABC TV network began broadcasting a weekly music/drama “Nashville.” The hour-long show is shot entirely in Nashville and features well known locales. Songs from top songwriters drive the storyline, enticing millions of viewers to watch an extended commercial for the city.

The downtown entertainment district features the Hard Rock Café, Jimmy Buffett’s Margaritaville, and the Wild Horse Saloon, which is a concert hall, restaurant, dance hall, and TV production facility. The Ryman Auditorium (2,362 seats), former home of the Grand Ole Opry, is known for outstanding acoustics. The 123 year old Ryman has become a venue of choice by entertainers visiting Nashville and six times has been named Pollstar Magazine’s venue of the year for the United States. A four block section of the downtown area, called lower Broadway, features bars and clubs known as Honky Tonks. These venues are housed in historic brick buildings and highlight live bands performing 15 hours a day, 7 days a week and are in close proximity of the Bridgestone Arena (20,000 seats) and LP Field.

The Bridgestone Arena is now in its 19th year of operation as a premier entertainment facility and in 2011, 2012, 2013, and 2014 ranked 6th in the United States in concert attendance. The Arena is home of the Nashville Predators, a National Hockey League team that in 2012 played two rounds into the Stanley Cup playoffs, in its eighteenth season in Nashville.

Nashville is the headquarters of CMT (formerly Country Music Television). Their Nashville friendly programming is transmitted daily to 91 million households. Sirius XM Radio has their southern broadcast facilities inside the

Bridgestone Arena where they program multiple channels in 8 studios with a potential daily audience of 49 million. RFD TV moved their production facilities to Nashville and are billed as Rural America's most important network.

The Tennessee NFL Stadium, opened in 1999, named LP Field, is the home of the 1999 American Football Conference Champion and 2002 AFC South Division Champion Tennessee Titans and the 1999 Ohio Valley Conference Champion Tennessee State University Tigers. Now in its thirteenth year of operation, the Titans have sold out the nearly 69,000 seat Stadium for each of its games.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, President Andrew Jackson's Home: The Hermitage, Belmont Mansion, The Tennessee Performing Arts Center, the Adventure Science Center, and the Parthenon supplement educational and cultural opportunities in the City.

The Grand Ole Opry is America's longest running live radio show. The Opry first broadcast in 1925 and the country music variety show now plays in a 4,372 seat theater in the Opryland complex near Opry Mills Mall and a few miles from downtown. Each show features 10 to 20 acts or performers and is broadcast on WSM terrestrial and internet radio drawing fans from around the world.

Opry Mills is a 1.1 million square foot megamall, which opened in May 2000. The mall contains 200 stores, theme restaurants, a 20 screen multi-theater complex and an IMAX theater. It is visited by more than 12 million customers annually.

The Adventure Science Center and the Nashville Zoo provide opportunities for adults and children to learn how science and wildlife affect their lives. The Center features a state-of-the-art Planetarium as well as exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing a multi-year, multi-million dollar expansion program which will make it one of the largest zoos in the country. The Zoo property is built around the historic 1810 Croft Home and features an ever-expanding display of animals from throughout the world.

The Nashville MSA has more than 326 hotels and motels offering more than 37,842 rooms. In addition to the 800 room OMNI Hotel, a 255 room Hyatt Place opened in fall of 2013 near the Music City Center, and a 194 room Hilton Garden Inn opened in the Vanderbilt area. Developers are in the due diligence stage for 14 additional hotel properties in the downtown area. The Gaylord Opryland Resort and Convention Center is the third largest hotel/convention center under one roof in the United States. The complex features 2,881 hotel rooms, 263,000 square feet of exhibit space and 300,000 square feet of meeting space.

[Remainder of Page Intentionally Left Blank]

MSA HOTEL AND MOTEL ROOMS / OCCUPANCY RATE

Calendar Year	Rooms Available	Occupancy Rate
1998	30,122	61.90%
1999	31,106	61.00%
2000	32,385	59.90%
2001	33,316	56.50%
2002	33,474	56.90%
2003	32,661	58.50%
2004	32,727	60.70%
2005	32,983	62.30%
2006	33,052	66.20%
2007	33,056	66.90%
2008	34,921	62.50%
2009	35,662	57.00%
2010	35,639	59.50%
2011	35,727	63.50%
2012	36,263	66.80%
2013	37,142	69.80%
2014	37,842	72.10%

Source: Nashville Conventions and Visitors Corporation

[Remainder of Page Intentionally Left Blank]

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

[Issue Date]

The Metropolitan Government of Nashville
and Davidson County
Nashville, Tennessee

U.S. Bank National Association
New York, New York

Morgan Stanley & Co. LLC
New York, New York

The Metropolitan Government of Nashville and Davidson County
Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The Metropolitan Government of Nashville and Davidson County (the “Issuer”) of up to \$100,000,000 in principal amount of its Water and Sewer Revenue Extendable Commercial Paper Notes, 2015 Program (the “Notes”). In such capacity, we have examined the law and such certified proceedings and other documents as we deemed necessary to render this opinion, including, but not limited to, Resolution No. RS2015-___ (the “Resolution”) authorizing the issuance and sale of the Notes. The terms used herein, but not defined herein, shall have the respective meanings given such terms in the Resolution.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Notes have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding obligations of the Issuer.
2. The Resolution authorizing the Notes has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Notes constitute limited obligations of the Metropolitan Government, payable from and secured solely by a pledge of the revenues of the Metropolitan Government’s water and sewer system, subject to costs of operating the system and subject to prior pledges of such revenues in favor of (a) the Metropolitan Government’s Water and Sewer Revenue Refunding Bonds, Series 1986; its Water and Sewer Revenue Bonds, Series 1993; its Water and Sewer Revenue Refunding Bonds, Series 1998A; its Water and Sewer Revenue Bonds, Series 1998B; its Water and Sewer Revenue Refunding Bonds, Series 2002; its Water and Sewer Revenue Refunding Bonds, Series 2007; its Water and Sewer Revenue Refunding Bonds, Series 2008A; its Water and Sewer Revenue Refunding Bonds, Series 2008B; its Water and Sewer Revenue Refunding Bonds, Series 2010A; its

Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds-Direct Payment; its Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds); its Water and Sewer Revenue Refunding Bonds Federally Taxable, Series 2010D; its Subordinate Lien Water and Sewer Revenue Refunding Bonds, Series 2012; and its Water and Sewer Revenue Bonds, Series 2013 (collectively, the “Prior Lien Bonds”) and (b) any other long-term bonds hereafter issued by the Metropolitan Government on parity with the Prior Lien Bonds. The pledge of revenues to the payment of the Notes is on parity with the pledge in favor of the Metropolitan Government’s Water and Sewer Revenue Commercial Paper Notes, Series A.

4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the date hereof in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Notes to be so included in gross income retroactive to the date of issuance of the Notes. Except as set forth in this paragraph, we express no opinion regarding other federal tax consequences arising with respect to the Notes.
5. Under existing law, the Notes and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on the Notes during the period such Notes are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Notes in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Offering Memorandum relating to the Notes.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX E
SUMMARY OF ECP RESOLUTION

Definitions

"Act" means Title 9, Chapter 21, Tennessee Code Annotated, as amended from time to time.

"Authorized Officer" means the Director of Finance of the Metropolitan Government and any other persons authorized in writing by the Director of Finance of the Metropolitan Government to act as an Authorized Officer under the Resolution.

"Bond Counsel" means Bass, Berry & Sims PLC or any other firm of attorneys specializing in the field of municipal finance law, selected by the Metropolitan Government.

"Bonds" means water and sewer revenue bonds of the Metropolitan Government authorized by the Initial Resolutions.

"Book-Entry ECP" means ECP issued in book-entry only form through the Depository.

"Business Day" means any day other than (i) a Saturday, (ii) a Sunday, (iii) a State legal holiday, (iv) a day on which banking institutions in Nashville, Tennessee, New York, New York, or the city in which the Office of the Issuing and Paying Agent is located, or the city in which the principal office of the Dealer is located, are authorized or obligated by law or executive order to be closed, (v) a day on which the New York Stock Exchange is not open for trading, or (vi) with respect to the Book-Entry ECP, a day on which the Depository is not scheduled to be open for money market instrument settlement services.

"Code" means the Internal Revenue Code of 1986, including regulations, rulings and judicial decisions promulgated thereunder.

"Costs" shall mean any of the costs of Projects permitted to be financed by the Act.

"Current Initial Resolutions" means Resolution No. RS2009-994 and Resolution No. RS2013-620 of the Metropolitan Government.

"Dealer" means Morgan Stanley & Co. LLC, appointed by the Metropolitan Government pursuant to the Resolution to serve as dealer for the ECP Program in accordance with the Dealer Agreement, and any other dealer for the ECP Program or any successor to any of them appointed pursuant to the Resolution.

"Dealer Agreement" means each Dealer Agreement authorized by the Resolution, as the same may be amended or supplemented, and any other dealer agreement which the Metropolitan Government determines to be in replacement thereof as may be entered into by the Metropolitan Government from time to time with respect to the ECP Program.

"Depository" means (i) DTC, (ii) any other Person appointed by the Metropolitan Government to serve as securities depository for the Master Note, and (iii) in each such case, its successors and assigns.

"Director of Law" means the Director of Law of the Metropolitan Government appointed pursuant to the provisions of the Charter of the Metropolitan Government or, in the absence of such appointment or in the event the person so appointed is unable or incapable of acting in such capacity, the person appointed by the Metropolitan Mayor to undertake the duties otherwise performed by the Director of Law, or his designee or the Deputy Director of Law acting as the Director in the event of a vacancy in that position under the authority of Section 8.604 of the Charter of the Metropolitan Government.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"ECP" or "ECP Notes" means water and sewer revenue bond anticipation notes of the Metropolitan Government issued in the form of extendable commercial paper in accordance with the Resolution.

"ECP Fund" means the special purpose trust fund described below to be held by the Issuing and Paying Agent for the benefit of the Holders from time to time of ECP for the deposit of proceeds of ECP and other moneys to be used to pay the principal of and interest on Outstanding ECP, and the payment therefrom of principal of and interest on Outstanding ECP.

"ECP Program" means a program of the Metropolitan Government consisting of the issuance from time to time of ECP.

"Electronic Means" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"EMMA" means the Electronic Municipal Market Access of the Municipal Securities Rulemaking Board.

"Extended Maturity Date" means, for each ECP Note, a Business Day that is the earlier of: 1) 270 days after its Issue Date and 2) the Final Maturity Date.

"Extended Period Interest Payment Date" means: (i) if the applicable Original Maturity Date is before the 15th day of the month, the first Business Day of the next month and the first Business Day of each month thereafter; and (ii) if the applicable Original Maturity Date is on or after the 15th day of the month, the first Business Day of the second succeeding month and the first Business Day of each month thereafter.

"Extension Rate" means, for each ECP Note, the rate of interest per annum established under the Resolution for each weekly period from and after the Original Maturity Date.

"Final Maturity Date" means December 31, 2020.

"Holder" means any Person who is in possession of any ECP issued or endorsed to such Person or to the order of such Person or to bearer or in blank; provided, however, that "Holder", when used with reference to Book-Entry ECP evidenced by a Master Note, and such Master Note, shall mean the registered owner of such Master Note as shown on the books of the Issuing and Paying Agent kept pursuant to the Resolution.

"Initial Resolutions" means, collectively, (i) the Current Initial Resolutions; and (ii) future initial resolutions adopted by the Metropolitan County Council of the Metropolitan Government for the purpose of financing capital improvements to the System; provided that any future initial resolution must first be published as prescribed by the Act.

"Issuance Request" means a request made by the Metropolitan Government, acting through an Authorized Officer, to the Issuing and Paying Agent for the delivery of ECP Notes, as described below.

"Issue Date" means, for each ECP Note, the date on which beneficial ownership is transferred to the original purchaser thereof.

"Issuing and Paying Agency Agreement" means the Issuing and Paying Agency Agreement authorized by the Resolution, as the same may be amended or supplemented, and any other issuing and paying agency agreement which the Metropolitan Government determines to be in replacement thereof as may be entered into by the Metropolitan Government from time to time with respect to the ECP Program.

"Issuing and Paying Agent" means U.S. Bank National Association, appointed by the Metropolitan Government pursuant to the Resolution to serve as Issuing and Paying Agent and registrar in accordance with the Issuing and Paying Agency Agreement, and any successor thereto appointed pursuant to the Resolution.

"Master Note" means a master note issued pursuant to the Resolution.

"Maximum Rate" means, as of any time, the rate equal to the lesser of (a) 9% per annum, calculated on the basis of actual days elapsed and a 365 or 366 day year, or (b) the maximum rate of interest at the time permitted by Section 47-14-103, Tennessee Code Annotated, or other applicable State law.

"Metropolitan Government" means The Metropolitan Government of Nashville and Davidson County.

"Moody's" means Moody's Investors Service, Inc., or any successor, then maintaining a rating on ECP at the request of the Metropolitan Government.

"Office" means, when used with reference to the Issuing and Paying Agent, such address as the Issuing and Paying Agent may designate from time to time by notice in writing to the Metropolitan Government and the Dealer.

"Operation and Maintenance Expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System, including administration costs, as calculated in accordance with generally accepted accounting principles. Notwithstanding the foregoing, Operation and Maintenance Expenses shall not include payments in lieu of taxes or any reserve for renewals or replacements or any allowance for depreciation or amortization, and there shall be included in Operation and Maintenance Expenses only that portion of the total administrative, general and other expenses of the Metropolitan Government which are properly allocable to the System.

"Original Maturity Date" means, for each ECP Note, a Business Day not less than 1 day and not greater than: i) the 90th day after the Issue Date, or ii) the 90th day preceding the Final Maturity Date.

"Original Rate" means, for each ECP Note, the rate of interest per annum borne by such ECP Note to the Original Maturity Date.

"Outstanding" means, when used as of any particular time with reference to ECP, all ECP theretofore or thereupon issued pursuant to the Resolution except (i) ECP theretofore canceled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; (ii) ECP with respect to which, and only to the extent, all liability of the Metropolitan Government shall have been discharged in accordance with the defeasance provisions described below; and (iii) ECP in lieu of, or in

substitution for, which other ECP has been or is then being issued by the Issuing and Paying Agent pursuant to the terms of the Resolution.

"Person" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prevailing Rating" means, at the time of determination and with respect to a Rating Agency, the rating assigned to the ECP Notes by the Rating Agency or any comparable future designation by the Rating Agency.

"Prior Lien Bonds" means, collectively, the Senior Lien Bonds, Second Senior Lien Bonds and Subordinate Lien Bonds.

"Prior Resolutions" means, collectively, the Senior Lien Bond Resolution, the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution, as supplemented and amended.

"Program Documents" means, collectively, the Resolution, the Dealer Agreement and the Issuing and Paying Agency Agreement.

"Projects" means those capital improvements to the System described in the Initial Resolutions.

"Rating Agency" means either or both of Moody's and Standard & Poor's, and/or such other securities rating agencies providing a rating on ECP, at the request of the Metropolitan Government.

"Resolution" means the Resolution, as the same may be amended or supplemented.

"Revenues" means (a) all revenues, income, rents, service fees and receipts properly allocable to the System resulting from ownership and operation of the System, excluding any customer deposits or other deposits subject to refund, unless such deposits have become property of the Metropolitan Government, (b) the proceeds of any insurance covering business interruption loss relating to the System and (c) interest received or to be received on any moneys or securities held in any of the funds or accounts established by the Prior Resolutions, with the exception of (i) moneys held in any Construction Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution, or any account thereof and (ii) moneys held in any Debt Service Reserve Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution during any period in which the investment earnings thereon are directed by resolution supplemental thereto to any Construction Fund established under the Second Senior Lien Bond Resolution or the Subordinate Lien Bond Resolution, or any account thereof. The computation of Revenues with respect to any period of time hereunder shall be increased by the amount of transfers during such period from the Rate Stabilization Fund (as defined in the Second Senior Lien Bond Resolution) to the Revenue Fund described in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution pursuant to Section 509(a) of the Second Senior Lien Bond Resolution, and decreased by the amount of any transfers during such period from the Revenue Fund to the Rate Stabilization Fund pursuant to Section 506(e) of the Second Senior Lien Bond Resolution. "Revenues" shall not include any Tax Credit Payments (as defined in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution), grant proceeds or, except as set forth in (b) above, insurance proceeds.

"Second Senior Lien Bonds" means the Metropolitan Government's Water and Sewer Revenue Refunding Bonds, Series 2010A, Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payment), Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds), Water and Sewer Revenue Refunding Bonds Federally Taxable, Series 2010D, Water and Sewer Revenue Bonds, Series 2013, and any bonds, notes or other debt obligation hereafter issued on parity therewith.

"Second Senior Lien Bond Resolution" means Substitute Resolution No. RS2010-1442 of the Metropolitan Government.

"Senior Lien Bonds" means the Metropolitan Government's outstanding, to the extent outstanding, Water and Sewer Revenue Refunding Bonds, Series 1986; Water and Sewer Revenue Bonds, Series 1993; Water and Sewer Revenue Refunding Bonds, Series 1998A; Water and Sewer Revenue Bonds, Series 1998B; Water and Sewer Revenue Refunding Bonds, Series 2002; Water and Sewer Revenue Refunding Bonds, Series 2007; Water and Sewer Revenue Refunding Bonds, Series 2008A; and Water and Sewer Revenue Refunding Bonds, Series 2008B.

"Senior Lien Bond Resolution" means Resolution R85-762, as supplemented and amended, including without limitation as supplemented and amended by Substitute Resolution No. R93-770, of the Metropolitan Government.

"SIFMA" means the Securities Industry and Financial Markets Association (formerly the Bond Market Association) or any successor thereto.

"SIFMA Index" means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the Dealer shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

"Standard & Poor's" means Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies, or any successor, then maintaining a rating on ECP at the request of the Metropolitan Government.

"State" means the State of Tennessee.

"Subordinate Lien Bonds" means the Metropolitan Government's Subordinate Lien Water and Sewer Revenue Refunding Bonds, Series 2012 and any bonds, notes or other debt obligation hereafter issued on parity therewith.

"Subordinate Lien Bond Resolution" means Resolution No. RS2011-114 of the Metropolitan Government.

"System" means each and every part of the water system and sewer system of the Metropolitan Government that shall be owned and operated by the Metropolitan Government for water supply, transmission, treatment and distribution and for sewage collection, transmission, treatment and disposal or distribution now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed, including any interest or participation of the Metropolitan Government in any facilities in connection with said system, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter constructed or acquired and together with all lands, easements, licenses and rights of

way and all other works, property or structures and contract rights and other tangible and intangible assets now or hereafter owned or used in connection with or related to said system. Notwithstanding the foregoing definition of the term "System", such term shall not include any properties or interests in properties of the Metropolitan Government (a) which the Metropolitan Government determines shall not constitute a part of the System for the purpose of the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution at the time of the acquisition thereof by the Metropolitan Government or (b) as to which there shall be filed with the records of the Metropolitan Government a certificate of a Consultant (as defined in the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution) stating, in its opinion, that the exclusion of such properties or interests in properties from the System will not materially impair the ability of the Metropolitan Government to comply during the current or any future Fiscal Year with the provisions of Sections 711 of the Second Senior Lien Bond Resolution and the Subordinate Lien Bond Resolution.

"Tax Certificate" means a certificate, as amended from time to time, executed and delivered on behalf of the Metropolitan Government by an Authorized Officer on the date upon which ECP Notes are initially issued and delivered, or any functionally equivalent certificate subsequently executed and delivered on behalf of the Metropolitan Government by an Authorized Officer with respect to the requirements of Section 148 (or any successor section) of the Code relating to the ECP Notes.

"Traditional Notes" means the Metropolitan Government's Water and Sewer Revenue Commercial Paper Notes.

References to Time

All references to time shall, unless otherwise stated, be deemed to be to the prevailing time in New York, New York.

Security and Sources of Payment

The ECP Notes are payable primarily from the proceeds of subsequently issued ECP Notes and the proceeds of the Bonds. Additionally, the ECP Notes shall constitute and be limited obligations of the Metropolitan Government payable from and secured solely by a pledge of the Revenues of the System, subject to the application thereof pursuant to the terms of the Prior Resolutions (including, without limitation, to the payment of Operation and Maintenance Expenses) and subject to the prior pledge of such Revenues in favor of the Prior Lien Bonds. The pledge of Revenues to the payment of the ECP Notes is on parity with the pledge thereof in favor of the Traditional Notes.

ECP Fund

(a) The Resolution creates and establishes with the Issuing and Paying Agent a separate and special purpose trust fund for the benefit of the Holders to be designated as the "Metropolitan Government Water and Sewer Revenue Extendable Commercial Paper Fund" (the "ECP Fund"). The Issuing and Paying Agent shall have the sole right of withdrawal over the moneys in the ECP Fund, except as may otherwise be described below.

(b) Subject to the application of Revenues in the manner described above, the Metropolitan Government may deposit Revenues or proceeds of its Bonds or other indebtedness into the ECP Fund for the purpose of paying the principal of and/or interest on Outstanding ECP.

(c) The Issuing and Paying Agent, as agent for the Holders from time to time of ECP, shall:

(i) Upon the sale of ECP on any day, deposit to the ECP Fund an amount of the proceeds thereof, which, together with any funds otherwise on deposit in the ECP Fund on such day is sufficient to pay the principal of and interest on Outstanding ECP maturing or being redeemed on such day, and use such proceeds and other funds (if applicable) to pay the principal of and interest on such Outstanding ECP;

(ii) Upon the sale of ECP on any day, to the extent the proceeds thereof are in excess of the amount required by subsection (i), transfer the balance of such excess to the Metropolitan Government;

(iii) deposit into the ECP Fund the proceeds of Bonds, notes or other evidences of indebtedness transferred to the Issuing and Paying Agent by or on behalf of the Metropolitan Government, and apply such deposits to the payment of the principal of and interest on Outstanding ECP, or otherwise, as an Authorized Officer shall specify from time to time in written instructions filed with the Issuing and Paying Agent; and

(iv) apply the moneys on deposit in the ECP Fund solely to the payment of the principal of and interest on the ECP, as aforesaid, as the same mature and become due and payable, or otherwise as provided above.

(d) Amounts on deposit in the ECP Fund as proceeds of ECP to be used to pay the principal of and/or interest on other ECP as required by subsection (c)(i) of this Section shall not be invested prior to their application for such purposes. Other amounts on deposit in the ECP Fund may be invested prior to their application for authorized purposes, but only at the direction of an Authorized Officer, and only in securities held in the name of the Metropolitan Government or the Issuing and Paying Agent as trustee for

(e) the Metropolitan Government (in either case, either as registered or beneficial owner), and otherwise shall not earn interest.

The ECP Fund, and all moneys and securities on deposit therein, shall be held by the Issuing and Paying Agent in a fiduciary capacity and shall not be commingled with the assets of the Issuing and Paying Agent or any other person. It is the intent of the Metropolitan Government that the ECP Fund, and all moneys and securities on deposit therein, shall constitute a special deposit and not a general deposit of the Issuing and Paying Agent.

Issuance Requests

(a) The Issuing and Paying Agent shall authenticate and deliver ECP Notes from time to time for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an Issuance Request, no later than 12:00 Noon on the Business Day on which ECP Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the ECP Notes referred to therein and to deliver the same to or upon the order of the Dealer. Each Issuance Request shall include:

(i) the aggregate principal amount of ECP Notes then to be issued;

(ii) the denominations in which they are to be issued;

(iii) the Original Rate;

- (iv) the Issue Date;
- (v) the Original Maturity Date;
- (vi) the Extended Maturity Date; and
- (vii) any additional designations thereof.

(b) The delivery of any Issuance Request under subsection (a) hereof to the Issuing and Paying Agent by an Authorized Officer in the manner provided therein shall constitute the certification and representation of the Metropolitan Government to the Issuing and Paying Agent that, as of the date thereof:

(i) after the issuance of such ECP Notes and the application of the proceeds thereof, (1) the sum of the aggregate principal amount of ECP Notes Outstanding will not exceed \$100,000,000 and (2) the sum of the aggregate principal amount of ECP Notes Outstanding, together with all other Bonds, notes or other indebtedness issued pursuant to the Initial Resolutions, will not exceed the amount of indebtedness authorized by the Initial Resolutions;

(ii) to the Metropolitan Government's knowledge there has been no change in the facts, estimates, circumstances and representations of the Metropolitan Government set forth or made in the Tax Certificate;

(iii) the Original Maturity Date set forth in the Issuance Request does not extend beyond 90 days prior to the Final Maturity Date;

(iv) the Extended Maturity Date of such Commercial Paper Notes set forth in the Issuance Request does not extend beyond the Final Maturity Date;

(v) the Metropolitan Government has not been notified by Bond Counsel that its opinion with respect to the validity of the ECP Notes and the tax treatment of the interest thereon has been revised or withdrawn or, if any such revision or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealer has been delivered;

(vi) to the actual knowledge of the Metropolitan Government, the Metropolitan Government is in compliance with the terms of the Resolution; and

(vii) all of the conditions precedent to the issuance of such ECP Notes set forth in this Section of the Resolution have been satisfied.

(c) The Metropolitan Government may deliver an Issuance Request for the issuance of multiple ECP Notes on multiple dates in the future, and shall have the right to rescind such notice with respect to any issue of ECP Notes to be issued until 11:00 a.m. on any date ECP Notes are to be issued.

(d) No later than 2:30 p.m. on each Business Day on which the Metropolitan Government proposes to issue ECP Notes, the Dealer shall report to the Metropolitan Government each transaction made with or arranged by it or shall notify the Metropolitan Government and the Issuing and Paying Agent of the difference, if any, between the amount of maturing ECP Notes and the amount of ECP Notes which the Dealer has arranged to sell or has agreed to purchase.

(e) Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing by 2:00 p.m.), the Issuing and Paying Agent shall, by 3:00 p.m. on such day, complete each ECP Note as to amount, Issue Date, Original Maturity Date, Extended Maturity Date and Original Rate specified in such Issuance Request, and deliver each such ECP Note to or upon the order of the Dealer upon receipt of payment therefor. If an Issuance Request is received after 12:00 Noon on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested ECP Notes until the next succeeding Business Day.

(f) Notwithstanding the foregoing, the Issuing and Paying Agent shall not deliver any ECP Notes if:

(i) such delivery would cause the sum of the aggregate principal amount of ECP Notes Outstanding to exceed \$100,000,000;

(ii) the Issuing and Paying Agent shall have received notice from an Authorized Officer directing the Issuing and Paying Agent to cease authenticating and delivering ECP Notes until such time as such direction is withdrawn by similar notice;

(iii) the Issuing and Paying Agent shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the ECP Notes from gross income for Federal income tax purposes of the holders thereof is being withdrawn;

(iv) the Original Maturity Date of such ECP Notes would extend beyond the 90th day preceding the Final Maturity Date; or

(v) the Extended Maturity Date of such ECP Notes would extend beyond the Final Maturity Date.

(g) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and shall be confirmed promptly in writing by an Authorized Representative;

(h) provided, however, that any conflict between any recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided in the Resolution. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

(i) The purchase price of each Note shall be 100% of the principal amount thereof, and no Note shall be deemed to be issued until payment for its purchase has been made in lawful money of the United States of America.

Proceeds of Sale of ECP

The proceeds of the sale under the Resolution of ECP shall be applied as follows:

(a) The proceeds of each sale of ECP on any day in an amount not in excess of the principal of Outstanding ECP becoming due and payable on such day, and for the payment of which the Metropolitan Government has not theretofore deposited other amounts into the ECP Fund, shall be deemed to have been issued for the purpose of paying such principal, and such proceeds shall be deposited into the ECP Fund and used to pay such principal.

(b) The proceeds of each sale of ECP on any day in an amount in excess of the principal of Outstanding ECP becoming due and payable on such day, if any, and for the payment of which the Metropolitan Government has not theretofore deposited other amounts into the ECP Fund, shall be deemed to have been issued for the purpose of paying Costs and shall be transferred to the Metropolitan Government as directed in writing by an Authorized Officer. Such proceeds shall be held and invested in a segregated fund of the Metropolitan Government in accordance with applicable law and applied exclusively to the Costs.

Issuing and Paying Agent

(a) The Metropolitan Government covenants to maintain and provide an Issuing and Paying Agent at all times while the ECP is Outstanding, which shall be a bank, trust company or national banking association (and, except in the case of Book-Entry ECP, having an office for delivery of ECP in New York, New York), in each case with trust powers. Should a change in the Issuing and Paying Agent for the ECP Program occur, the Metropolitan Government agrees to promptly cause a notice thereof to be posted on EMMA; provided however, that such notice shall not be required to be posted, but shall be delivered to the Depository, if the ECP are being issued as Book-Entry ECP at such time. Such notice shall specify the Office of the successor Issuing and Paying Agent. A successor Issuing and Paying Agent may be appointed without the consent of the Holders.

(b) The Metropolitan Government may remove any Issuing and Paying Agent by giving not less than fifteen (15) days advance written notice to the Issuing and Paying Agent and the Dealer. The Metropolitan Government shall give written notice of the appointment of a successor Issuing and Paying Agent to the Dealer.

(c) The Issuing and Paying Agent may resign at any time by giving written notice of such resignation to the Metropolitan Government and the Dealer specifying the date as of which the Issuing and Paying Agent proposes that the same shall become effective, which date shall be not less than 30 days after the date of such notice. The Metropolitan Government shall give written notice of the appointment of a successor Issuing and Paying Agent to the Dealer.

(d) Notwithstanding subsections (b) and (c) above, no such removal or resignation shall be effective unless and until a successor has been appointed and shall have accepted the duties and obligations of Issuing and Paying Agent under the Resolution. If no successor has been appointed within 30 days as aforesaid, the Issuing and Paying Agent shall have the right to petition a court of competent jurisdiction for the appointment of a successor Issuing and Paying Agent, and the Issuing and Paying Agent shall be reimbursed by the Metropolitan Government for any and all expenses in connection with any such petition and appointment. On the effective date of any such removal or resignation, the Issuing and Paying Agent shall deliver to the successor Issuing and Paying Agent, if any, at the direction of the Metropolitan Government, or otherwise to the Metropolitan Government, all canceled or unissued ECP instruments then held by the Issuing and Paying Agent for disposition in accordance with the Resolution, and shall transfer the funds then held by it to the successor Issuing and Paying Agent, if any, at the direction of the Metropolitan Government, or otherwise to the Metropolitan Government. The Metropolitan Government shall pay all outstanding fees and expenses due and owed to the Issuing and Paying Agent following such removal or resignation.

Covenants

Punctual Payment

The Metropolitan Government will punctually pay or cause to be paid the principal of and interest on the ECP in conformity with the Resolution. For the purpose of providing for the payment of the principal of and interest on Outstanding ECP on the date that the same shall become due and payable, the Metropolitan Government, on or prior to such date, will pay or cause to be paid to the Issuing and Paying Agent for deposit in the ECP Fund, amounts which, together with other amounts then on deposit in such ECP Fund, will be sufficient and available to make such payment on such date. The foregoing is not intended to preclude the Metropolitan Government from extending the maturity date of ECP Notes in the manner described in the Resolution.

Covenant to Refinance

With respect to any ECP Notes the maturity of which has been extended pursuant to the Resolution, the Metropolitan Government covenants that it will promptly seek approval of the Metropolitan County Council for the issuance of Bonds or other debt obligations to refinance such ECP Notes and, provided such approval is received, to offer and sell such Bonds or other debt obligations upon reasonable and customary terms and conditions so that the proceeds thereof may be applied to the payment of such ECP Notes on or prior to the applicable Extended Maturity Date.

Compliance With Agreements and Other Documents

The Metropolitan Government will comply with the terms and provisions of the Dealer Agreement, the Issuing and Paying Agency Agreement, the Prior Resolutions and any other resolution or contract to which the Metropolitan Government is a party, the non-compliance with which would materially adversely affect the ability of the Metropolitan Government to make payment of the principal of and interest on the ECP as and when the same becomes due and payable.

ECP to Remain Tax-Exempt

The Metropolitan Government covenants that it will execute and deliver a Tax Certificate in the form prescribed by Bond Counsel in connection with the first issuance of ECP, and that in connection with any subsequent issuance of ECP it will, if requested by Bond Counsel, execute and deliver either written confirmation that the facts, estimates, circumstances and reasonable expectations contained therein continue to be accurate as of such issue date or a revised Tax Certificate dated such issue date. Each Issuance Request by an Authorized Officer given or made pursuant to the Resolution shall constitute a representation by the Metropolitan Government that the facts, estimates, circumstances and reasonable expectations contained in the latest of such Tax Certificates continues to be true and accurate as of the date of such Issuance Request, and that no fact material to the exclusion of the interest on the ECP from gross income for federal income tax purposes exists which has not been reflected in a revised Tax Certificate. The Metropolitan Government represents and covenants that it will not expend, or permit to be expended, the proceeds of any ECP in any manner inconsistent with its reasonable expectations as certified in the Tax Certificates to be executed from time to time with respect to the ECP Program; provided however, that the Metropolitan Government may expend ECP proceeds in such manner if the Metropolitan Government first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exclusion of interest on the ECP from gross income for federal income tax purposes.

The Metropolitan Government further covenants that no use of the proceeds of any of the ECP or any other funds of the Metropolitan Government will be made which will cause any ECP to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, the Metropolitan Government shall comply with all requirements of said Section 148 and of all regulations issued thereunder or otherwise applicable thereto.

The Metropolitan Government covenants that it will not use any proceeds of the ECP or any other funds held under the Resolution for any purpose which would cause any ECP to be subject to treatment as a "private activity bond" defined in Section 141 of the Code.

Reservation of Right to Issue Other Obligations

The Metropolitan Government expressly reserves the right to issue future Bonds, notes or other evidences of indebtedness in addition to the ECP, secured by Revenues of the System, and additionally secured as may be required by the Act or other provisions of law or as determined by the Metropolitan Government, when and as the Metropolitan Government shall determine and authorize.

Amendments and Supplements to the Resolution

The Metropolitan Government, from time to time and at any time, (i) without the consent or concurrence of any Holder of any ECP, may adopt a resolution for the purpose of providing for the issuance of any Bonds, notes or other evidences of indebtedness, and (ii) without the consent or concurrence of any Holder of any ECP, may adopt a resolution amendatory of or supplemental to the Resolution, if the provisions of such resolution shall not materially adversely affect the rights of the Holders of the ECP then Outstanding, for any one or more of the following purposes:

1. to make any changes or corrections in the Resolution as to which the Metropolitan Government shall have been advised by counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or
2. omission or mistake or manifest error contained in the Resolution, or to insert in the Resolution such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable;
3. to add additional covenants and agreements of the Metropolitan Government for the purpose of further securing the payment of the ECP;
4. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Resolution;
5. to grant to or confer upon the Holders of the ECP any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;
6. to comply with any request by or requirement of any Rating Agency which is necessary, or which the Metropolitan Government reasonably believes is necessary, to prevent a downward revision by such Rating Agency in the rating of ECP;
7. to provide for the issuance, transfer, exchange, registration, discharge from registration and replacement of ECP other than Book-Entry ECP; and

8. to increase the maximum aggregate principal amount of ECP that may be Outstanding at any time; provided however, that prior to the effectiveness thereof the Metropolitan Government shall have received written evidence from each Rating Agency to the effect that such increase will not, by itself, result in a reduction, withdrawal or suspension of such Rating Agency's rating of the ECP Program which then prevails; and

9. to modify any of the provisions of the Resolution in any other respect if such modification shall be effective only with respect to ECP issued subsequent to the effectiveness of such resolution or modification, in which case any ECP instrument (except any Master Note) issued subsequent to the effectiveness of any such modification shall contain a specific reference to, and the Metropolitan Government shall give written notice to the Depository of Book-Entry ECP of, the modifications contained in such resolution; *provided, however*, that nothing contained in the Resolution shall permit or be construed to permit the amendment of the terms and conditions of the Resolution or of the ECP Program so as to:

- a. make any change in the maturity of any Outstanding ECP;
- b. reduce the rate of interest borne by any Outstanding ECP;
- c. reduce the amount of the principal payable on any Outstanding ECP;
- d. modify the terms of payment of principal of or interest on any Outstanding ECP, or impose any conditions with respect to such payment;
- e. affect the rights of the Holders of less than all Outstanding ECP; or
- f. reduce or restrict the provision made in the Resolution for payment of Outstanding ECP.

Defeasance

ECP Deemed Paid; Discharge of Resolution

ECP will be deemed paid for all purposes of the Resolution when (a) payment of the principal of and interest on such ECP to the due date of such principal and interest (whether at maturity or otherwise) either (1) has been made in accordance with the terms of such ECP or (2) has been provided for by depositing with the Issuing and Paying Agent (A) moneys sufficient to make such payment and/or (B)

direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations") maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all compensation and expenses of the Issuing and Paying Agent pertaining to the ECP Program in respect of which such deposit is made have been paid or provided for to the satisfaction of the Issuing and Paying Agent. When ECP is deemed paid, it will no longer be secured by or entitled to the benefits of the Resolution or be an obligation of the Metropolitan Government, except for payment from such moneys or Government Obligations, and no additional ECP may be issued except that it may be transferred, exchanged, registered, discharged from registration or replaced.

When all outstanding ECP are deemed paid under the foregoing provisions, the Issuing and Paying Agent will, upon the request of the Metropolitan Government, acknowledge the discharge of the Metropolitan Government's obligations under the Resolution and the ECP Program.

No such deposit will be made or used in any manner which, in the opinion of Bond Counsel, would cause any ECP to be treated as "arbitrage bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

Application of Trust Moneys

The Issuing and Paying Agent will hold in trust moneys or Government Obligations deposited with it and apply the deposited money and the proceeds from the Government Obligations in accordance with the Resolution only to the payment of principal of and interest on the ECP with respect to which the same was deposited.

Repayment to Metropolitan Government

The Issuing and Paying Agent will pay to the Metropolitan Government promptly upon its request any excess moneys or securities held by the Issuing and Paying Agent at any time, and any moneys held by the Issuing and Paying Agent under any provision of the Resolution for the payment of principal or interest on ECP that remains unclaimed for one year or such other shorter or longer period, or to such other Person, as may at the time be prescribed by State law with respect to unclaimed property.

Miscellaneous

Notices to Rating Agencies

The Metropolitan Government shall give each Rating Agency, the Dealer and the Issuing and Paying Agent advance notice in writing of any (i) change of Dealer, (ii) change of Issuing and Paying Agent, (iii) amendment or material change to the Program Documents, and (iv) termination or defeasance of the ECP Program; *provided however*, that if the Metropolitan Government does not have advance actual notice of any such event, notice shall be given by the Metropolitan Government as soon as practicable after the Metropolitan Government has actual notice thereof.

Resolution to Constitute a Contract; Equal Security

In consideration of the acceptance of the ECP, the issuance of which is authorized under the Resolution, by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Metropolitan Government and the Holders from time to time of the ECP, and the pledge made by the Resolution by the Metropolitan Government and the covenants and agreements set forth in the Resolution to be performed by the Metropolitan Government shall be for the equal and proportionate benefit, security and protection of all Holders of the ECP, without preference, priority or distinction as to security or otherwise of any of the ECP authorized under the Resolution over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Resolution.

Payment and Performance on Business Days

Whenever under the terms of the Resolution or the ECP Program, the performance date of any provision of the Resolution or ECP Program, including the payment of principal of or interest on the ECP,

shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the ECP, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with respect to any payment, without any additional interest accruing after the originally scheduled date of payment.

No Personal Recourse

No recourse shall be had for any claim based on the Resolution or the ECP Program against any member, officer or employee, past, present or future, of the Metropolitan Government, the Metropolitan County Council of the Metropolitan Government or of any successor body under any constitutional provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

Disclosure of Liability

All covenants, stipulations, promises, agreements and obligations of the Metropolitan Government contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Metropolitan Government and not of any member, officer or employee of the Metropolitan Government in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the ECP or for any claim based thereon or on the Resolution against any member, officer, or employee of the Metropolitan Government, or against any Person executing the ECP.